

**MURRAY COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2018**

MURRAY COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

<u>I. Financial Section</u>	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
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	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to the Basic Financial Statements	21-54
<u>II. Required Supplementary Information</u>	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	55
Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia	56
Schedule of Contributions – Teachers Retirement System of Georgia	57
Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia	58
Schedule of Proportionate Share of Net OPEB Liability – School OPEB Fund	59
Schedule of Contributions – School OPEB Fund	60
Notes to Required Supplementary Information	61
<u>III. Other Supplementary Information</u>	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds	62

MURRAY COUNTY BOARD OF EDUCATION

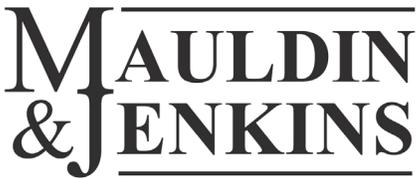
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

IV. Single Audit Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63 and 64
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	65-67
Schedule of Expenditures of Federal Awards	68 and 69
Schedule of Findings and Questioned Costs	70-72
Schedule of Prior Audit Findings	73
Management's Corrective Action Plan	74

I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the Murray County Board of Education
Chatsworth, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Murray County Board of Education** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Murray County Board of Education'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 the Murray County Board of Education as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Notes 14 and 17, the Murray County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the Murray County Board of Education's net other postemployment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, Schedule of Contributions – Teachers Retirement System of Georgia, Schedule of Proportionate Share of Net Pension Liability – Public School Employees Retirement System of Georgia, Schedule of Proportionate Share of Net OPEB Liability – School OPEB Fund, and Schedule of Contributions – School OPEB Fund, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Murray County Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019 on our consideration of the Murray County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Murray County Board of Education's 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 Murray County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 21, 2019

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

Our discussion and analysis of the Murray County School District's financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2018 and June 30, 2017. 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 basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2018 and 2017 are as follows:

- On the government-wide financial statements, the liabilities and deferred inflows of the School District exceeded the assets and deferred outflows by \$0.01 million for the fiscal year ended June 30, 2018.
- GASB Statement No. 68 requires the School District to report the proportionate share of the collective net pension liability. The net pension liability, deferred outflows of resources and deferred inflows of resources reduced the unrestricted net position amount by \$48,973,597.
- GASB Statement No. 75 required the School District to report the Other Postemployment Benefit (OPEB) net liability. With the implementation of GASB Statement No. 75, the School District shows a deficit unrestricted net position at June 30, 2018 of \$96,211,955. The net OPEB liability, deferred outflows of resources and deferred inflows of resources reduced the unrestricted net position amount by \$57,835,899. Before the recording of the net pension liability, net OPEB liability and related deferred outflows of resources and deferred inflows or resources, the unrestricted net position at June 30, 2018 was \$10,597,541.
- The School District had \$69.4 million in expenses for the fiscal years ended June 30, 2018 and \$70.1 million for fiscal year ended June 30, 2017 relating to governmental activities. Only \$54.2 million and \$49.8 million, respectively, of the above-mentioned expenses for 2018 and 2017 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) totaling \$20.5 million and \$23.7 million, respectively, for 2018 and 2017 were adequate to provide for these programs.
- As stated above, general revenues accounted for \$20.5 million or 27.4% of all revenues totaling \$74.7 million for fiscal year 2018 and \$23.7 million or 32.3% of all revenues totaling \$73.5 million for fiscal year 2017. Program specific revenues in the form of charges for services, grants and contribution accounted for the rest.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Overview of the Financial Statements

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the government-wide and fund financial statements.

The government-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Murray County School District, the general fund, capital projects fund, and debt service fund are the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

Government-Wide Statements

The government-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the government-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Position and the Statement of Activities provides the basis for answering this question. These financial statements include all School District's assets, deferred outflows, liabilities and deferred inflows and uses the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Position and the Statement of Activities reflects the School District's governmental activities.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or major funds.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled within the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2018 and 2017.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2018</u>	<u>Fiscal</u> <u>Year 2017</u>
Assets		
Current and Other Assets	\$ 31,844,529	\$ 38,270,306
Capital Assets, Net	100,805,327	91,639,102
Total Assets	<u>132,649,856</u>	<u>129,909,408</u>
Deferred outflows of Resources		
Related to Defined Benefit Pension Plan	8,986,165	15,290,589
Related to OPEB Plan	1,961,098	2,004,005
Total Deferred Outflows of Resources	<u>10,947,263</u>	<u>17,294,594</u>
Liabilities		
Current and Other Liabilities	10,547,338	7,236,640
Long-Term Liabilities	15,304,659	21,159,553
Net Pension Liability	54,049,793	62,863,007
Net OPEB Liability	54,000,318	58,948,724
Total Liabilities	<u>133,902,108</u>	<u>150,207,924</u>
Deferred inflows of resources		
Related to Defined Benefit Pension Plan	3,909,969	2,292,040
Related to OPEB Plan	5,796,679	-
Total Deferred Inflows of Resources	<u>9,706,648</u>	<u>2,292,040</u>
Net position		
Net investment in capital assets	91,207,743	85,984,364
Restricted	4,992,575	5,199,025
Unrestricted (Deficit)	(96,211,955)	(96,479,351)
Total net position	<u>\$ (11,637)</u>	<u>\$ (5,295,962)</u>

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 2 shows the changes in net position for fiscal years ending June 30, 2018 and June 30, 2017.

Table 2
Change in Net Position

	<u>Governmental Activities</u>	
	<u>Fiscal</u> <u>Year 2018</u>	<u>Fiscal</u> <u>Year 2017</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,738,537	\$ 1,014,327
Operating Grants and Contributions	47,682,963	48,709,174
Capital Grants and Contributions	<u>3,785,003</u>	<u>77,216</u>
Total Program Revenues	<u>54,206,503</u>	<u>49,800,717</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	10,894,699	12,654,924
Other	-	258,625
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	4,707,570	4,557,280
Other Taxes	1,645,681	228,460
Grants and Contributions not Restricted to		
Specific Programs	4,806,617	4,750,942
Unrestricted Investment Earnings	171,284	32,321
Special Item:		
Gain (Loss) on disposal of school building	<u>(1,752,453)</u>	<u>1,239,626</u>
Total General Revenues	<u>20,473,398</u>	<u>23,722,178</u>
Total Revenues	<u>74,679,901</u>	<u>73,522,895</u>
Program Expenses		
Instruction	42,358,768	43,518,412
Support Services		
Pupil Services	2,712,326	2,481,617
Improvement of Instructional Services	2,381,062	2,626,999
Educational Media Services	1,040,640	1,160,701
General Administration	1,010,297	603,225
School Administration	4,034,513	3,907,139
Business Administration	399,621	394,572
Maintenance and Operations of Plant	5,074,228	5,991,972
Student Transportation Services	3,193,116	2,594,719
Central Support Services	1,607,368	1,530,415
Other Support Services	291,879	48,564
Operations of Non-Instructional Services		
Food Services	4,944,751	4,957,879
Interest on Short-Term, and Long-Term Debt	<u>347,007</u>	<u>251,016</u>
Total Expenses	<u>69,395,576</u>	<u>70,067,230</u>
Change in Net Position	5,284,325	3,455,665
Net position, Beginning of Year	(5,295,962)	48,259,852
Restatement	-	(57,011,479)
Net position, End of Year	<u>\$ (11,637)</u>	<u>\$ (5,295,962)</u>

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	Fiscal	Fiscal	Fiscal	Fiscal
	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2018</u>	<u>Year 2017</u>
Instruction	\$ 42,358,768	\$ 43,518,412	\$ 5,027,171	\$ 8,424,165
Support Services				
Pupil Services	2,712,326	2,481,617	2,246,081	1,956,738
Improvement of Instructional Services	2,381,062	2,626,999	451,322	677,781
Educational Media Services	1,040,640	1,160,701	80,535	13,068
General Administration	1,010,297	603,225	(377,016)	(652,667)
School Administration	4,034,513	3,907,139	2,043,270	1,963,504
Business Administration	399,621	394,572	383,401	379,182
Maintenance and Operation of Plant	5,074,228	5,991,972	2,546,608	3,733,092
Student Transportation Services	3,193,116	2,594,719	1,833,265	2,238,045
Central Support Services	1,607,368	1,530,415	1,560,975	1,487,345
Other Support Services	291,879	48,564	244,770	-
Operations of Non-Instructional Services				
Miscellaneous Non-Instructional Services	-	-	(1,147,565)	-
Food Services Operation	4,944,751	4,957,879	(50,751)	(204,756)
Interest on Short & Long-Term Debt	347,007	251,016	347,007	251,016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 69,395,576</u>	<u>\$ 70,067,230</u>	<u>\$ 15,189,073</u>	<u>\$ 20,266,513</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$77.2 million as compared to total expenditures of \$86.3 million for fiscal year 2018 and total revenues of \$72.8 million and total expenditures of \$71.1 million for fiscal year 2017.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal years 2018 and 2017, the School District amended its general fund budget as needed.

During fiscal year 2018 the General Fund had final actual revenues totaling \$68.7 million, which represented an increase from the final budgeted amount of \$66.6 million by \$2.1 million. This difference (final actual vs. final budget) was primarily due to an increase in state funds received from final budget by \$1.0 million, an increase in charges for services of \$1.0 million, and an increase in miscellaneous revenue of \$0.9 million, which offset the decreases of \$0.3 million and \$0.4 million in property taxes and federal funds, respectively.

During fiscal year 2017 the General Fund had final actual revenues totaling \$68.2 million, which represented an increase from the final budgeted amount of \$68.5 million by \$0.3 million. This difference (final actual vs. final budget) was primarily due to an increase in state funds of \$0.3 million, and an increase in charges for services of \$0.3 million which offset the decreases of \$0.9 million and \$0.5 million in property taxes and federal funds, respectively.

Final actual expenditures and other financing uses during fiscal year 2018 totaling \$68.1 million represented a decrease from the final budgeted amount of \$68.8 million by \$0.7 million. However, expenditures for instruction, student transportation and maintenance and operations decreased by approximately \$1.6 million, pupil services, improvement of instruction services, school administration and debt service increased by approximately \$1.1 million.

Final actual expenditures and other financing uses during fiscal year 2017 totaling \$66.4 million represented a decrease from the final budgeted amount of \$69.0 million by \$2.6 million. However, expenditures for instruction, improvement of instruction services, student transportation and maintenance and operations decreased by approximately \$3.6 million, pupil services, school administration and debt service increased by approximately \$1.7 million.

General fund revenue and other financing sources exceeded expenditures and other financing uses by \$635,784 for fiscal year 2018 and by \$1,751,004 for fiscal year 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the fiscal years ended June 30, 2018 and June 30, 2017, the School District had \$100.8 million and \$91.6 million, respectively, invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 4
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>	
	Fiscal	Fiscal
	<u>Year 2018</u>	<u>Year 2017</u>
Land	\$ 4,149,570	\$ 4,149,570
Construction in Progress	13,202,749	41,155
Buildings and Improvements	78,808,414	82,386,168
Equipment	1,420,910	1,935,476
Land Improvements	<u>3,223,684</u>	<u>3,126,733</u>
Total	<u>\$ 100,805,327</u>	<u>\$ 91,639,102</u>

Debt

At the fiscal years ending June 30, 2018 and June 30, 2017, the School District had \$13.7 million and \$18.7 million respectively, in bonds outstanding. Table 5 summarizes the School District's debt for general obligation bonds.

Table 5
Debt at June 30

<u>Bond Rating</u>	<u>Bond Issue</u>	Fiscal	Fiscal
		<u>Year 2018</u>	<u>Year 2017</u>
Aa1	2017 Bonds	13,700,000	13,700,000
	Total Bonds Payable	13,700,000	18,700,000
	Less Current Portion	<u>3,740,000</u>	<u>5,000,000</u>
	Long-Term Bonds	<u>9,960,000</u>	<u>13,700,000</u>

More detailed information on the School District's long-term debt can be found in Note 9 of the financial statements.

MURRAY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Economic Factors

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations.

- Economic Slowdown - Increases in State funding for items such as maintenance, transportation and direct instruction operational expenses have been minimal and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. The School District continues to provide an increasing amount of local monies to meet various mandated educational requirements. Additional financial pressure is being placed on the School District due to increases in costs for healthcare. Despite these challenges, the School District remains optimistic about the ability of the District to maximize all of the financial resources to provide a quality education to our students.

- Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs. Based on the recent Special Purpose Local Option Sales Tax being passed by the voters and the 2017 sale of bonds the School District construction of a new facility for Spring Place Elementary School began during the 2018 Fiscal Year and is anticipated to be completed in fiscal year 2019.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Murray County Board of Education, 1006 Green Road, Chatsworth, GA 30705.

BASIC FINANCIAL STATEMENTS

MURRAY COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 24,084,826
Investments	304,105
Receivables:	
Taxes	701,772
Intergovernmental:	
State	6,131,873
Federal	474,630
Other	39,356
Inventory	107,967
Capital assets (nondepreciable)	17,352,319
Capital assets (depreciable, net of accumulated depreciation)	83,453,008
Total assets	<u>132,649,856</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	8,986,165
OPEB related items	1,961,098
Total deferred outflows of resources	<u>10,947,263</u>
LIABILITIES	
Accounts payable	228,611
Salaries and benefits payable	7,543,896
Contracts payable	1,962,400
Accrued interest payable	176,231
Retainage payable	610,112
Unearned revenue	26,088
Bonds payable due within one year	3,470,000
Bonds payable due in more than one year	11,285,674
Capital leases due within one year	201,704
Capital leases due in more than one year	347,281
Net pension liability	54,049,793
Net OPEB liability	54,000,318
Total liabilities	<u>133,902,108</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	3,909,969
OPEB related items	5,796,679
Total deferred inflows of resources	<u>9,706,648</u>
NET POSITION	
Net investment in capital assets	91,207,743
Restricted for:	
Federal programs	1,716,682
Capital projects	3,275,893
Unrestricted	(96,211,955)
Total net position	<u>\$ (11,637)</u>

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

MURRAY COUNTY BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 42,358,768	\$ 1,028,030	\$ 33,322,563	\$ 2,981,004	\$ (5,027,171)
Support services:					
Pupil services	2,712,326	-	397,424	68,821	(2,246,081)
Improvement of instructional services	2,381,062	-	1,929,740	-	(451,322)
Educational media services	1,040,640	-	960,105	-	(80,535)
General administration	1,010,297	-	1,387,313	-	377,016
School administration	4,034,513	-	1,991,243	-	(2,043,270)
Business administration	399,621	-	16,220	-	(383,401)
Maintenance and operation of facilities	5,074,228	-	2,243,510	284,110	(2,546,608)
Student transportation services	3,193,116	-	945,859	413,992	(1,833,265)
Central support services	1,607,368	-	46,393	-	(1,560,975)
Other support services	291,879	-	47,109	-	(244,770)
Operations of non-instructional services:					
Miscellaneous non-instructional services	-	1,147,565	-	-	1,147,565
Food services operation	4,944,751	562,942	4,395,484	37,076	50,751
Interest on long-term debt	347,007	-	-	-	(347,007)
Total governmental activities	<u>\$ 69,395,576</u>	<u>\$ 2,738,537</u>	<u>\$ 47,682,963</u>	<u>\$ 3,785,003</u>	<u>(15,189,073)</u>
General revenues:					
Taxes:					
Property taxes					
					10,894,699
Sales taxes:					
					4,707,570
					1,645,681
					4,806,617
					171,284
Special item:					
					(1,752,453)
					<u>20,473,398</u>
					5,284,325
					(5,295,962)
					<u>\$ (11,637)</u>

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

MURRAY COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 12,957,828	\$ 11,126,998	\$ -	\$ 24,084,826
Investments	304,105	-	-	304,105
Receivables:				
Taxes	701,772	-	-	701,772
Intergovernmental:				
State	5,697,875	433,998	-	6,131,873
Federal	474,630	-	-	474,630
Other	39,356	-	-	39,356
Inventory	107,967	-	-	107,967
 Total assets	 <u>\$ 20,283,533</u>	 <u>\$ 11,560,996</u>	 <u>\$ -</u>	 <u>\$ 31,844,529</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 223,095	\$ 5,516	\$ -	\$ 228,611
Unearned revenue	26,088	-	-	26,088
Contracts payable	-	1,962,400	-	1,962,400
Salaries and benefits payable	7,543,896	-	-	7,543,896
Retainage payable	-	610,112	-	610,112
 Total liabilities	 <u>7,793,079</u>	 <u>2,578,028</u>	 <u>-</u>	 <u>10,371,107</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	554,831	-	-	554,831
 Total deferred inflows of resources	 <u>554,831</u>	 <u>-</u>	 <u>-</u>	 <u>554,831</u>
FUND BALANCES				
Nonspendable:				
Inventory	107,967	-	-	107,967
Restricted for:				
Federal programs	1,608,715	-	-	1,608,715
Capital projects	-	8,982,968	-	8,982,968
Unassigned:				
General fund	10,218,941	-	-	10,218,941
 Total fund balances	 <u>11,935,623</u>	 <u>8,982,968</u>	 <u>-</u>	 <u>20,918,591</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 20,283,533</u>	 <u>\$ 11,560,996</u>	 <u>\$ -</u>	 <u>\$ 31,844,529</u>

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

MURRAY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds	\$	20,918,591
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Cost	\$ 144,780,837	
Less accumulated depreciation	<u>(43,975,510)</u>	100,805,327
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Property taxes		554,831
The net pension liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net pension liability	\$ (54,049,793)	
Pension related deferred outflows of resources	8,986,165	
Pension related deferred inflows of resources	<u>(3,909,969)</u>	(48,973,597)
The net OPEB liability is not a financial liability in governmental fund activities and, therefore, not reported in governmental funds.		
Net OPEB liability	\$ (54,000,318)	
OPEB related deferred outflows of resources	1,961,098	
OPEB related deferred inflows of resources	<u>(5,796,679)</u>	(57,835,899)
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (13,700,000)	
Premium, net of amortization	(1,055,674)	
Accrued interest	(176,231)	
Capital leases	<u>(548,985)</u>	
		<u>(15,480,890)</u>
Net position of governmental activities	\$	<u><u>(11,637)</u></u>

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

MURRAY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	District -			Total Governmental Funds
	General	Wide Capital Projects	Debt Service	
REVENUES				
Property taxes	\$ 11,565,699	\$ -	\$ -	\$ 11,565,699
Sales taxes	-	4,707,570	-	4,707,570
Other taxes	1,645,681	-	-	1,645,681
State funds	44,555,703	3,553,243	-	48,108,946
Federal funds	8,209,631	-	-	8,209,631
Investment income	25,447	167,097	-	192,544
Charges for services	1,654,441	-	-	1,654,441
Miscellaneous	1,084,096	76,905	-	1,161,001
Total revenues	<u>68,740,698</u>	<u>8,504,815</u>	<u>-</u>	<u>77,245,513</u>
EXPENDITURES				
Current:				
Instruction	40,281,196	13,056	-	40,294,252
Support services:				
Pupil services	2,719,766	-	-	2,719,766
Improvement of instructional services	2,397,503	-	-	2,397,503
Educational media services	1,043,802	-	-	1,043,802
General administration	932,663	-	-	932,663
School administration	4,054,953	-	-	4,054,953
Business administration	401,908	-	-	401,908
Maintenance and operation of facilities	4,695,768	-	-	4,695,768
Student transportation services	2,904,979	-	-	2,904,979
Central support services	1,615,347	-	-	1,615,347
Other support services	291,879	-	-	291,879
Food services operation	4,861,727	-	-	4,861,727
Capital outlay	-	13,894,540	-	13,894,540
Debt service:				
Principal retirement	430,229	-	5,000,000	5,430,229
Interest and fees	22,883	-	741,347	764,230
Total expenditures	<u>66,654,603</u>	<u>13,907,596</u>	<u>5,741,347</u>	<u>86,303,546</u>
Excess (deficiency) of revenues over expenditures	<u>2,086,095</u>	<u>(5,402,781)</u>	<u>(5,741,347)</u>	<u>(9,058,033)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,741,347	5,741,347
Transfers out	(1,450,311)	(4,291,036)	-	(5,741,347)
Total other financing sources (uses)	<u>(1,450,311)</u>	<u>(4,291,036)</u>	<u>5,741,347</u>	<u>-</u>
Net change in fund balances	635,784	(9,693,817)	-	(9,058,033)
FUND BALANCES, beginning of year	<u>11,299,839</u>	<u>18,676,785</u>	<u>-</u>	<u>29,976,624</u>
FUND BALANCES, end of year	<u>\$ 11,935,623</u>	<u>\$ 8,982,968</u>	<u>\$ -</u>	<u>\$ 20,918,591</u>

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

MURRAY COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$	(9,058,033)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$	13,692,219	
Depreciation expense		<u>(2,773,541)</u>	10,918,678

The net effect of miscellaneous transactions involving capital assets is as follows:

Net book value of assets disposed		(1,752,453)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(671,000)
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In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

890,861

In the governmental funds, current year expenditures related to OPEB are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to OPEB include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of OPEB and related items.

(891,180)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	5,000,000	
Principal payments - capital leases		<u>430,229</u>	5,430,229

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premium	\$	424,665	
Change in accrued interest		<u>(7,442)</u>	<u>417,223</u>

Change in net position of governmental activities	\$	<u><u>5,284,325</u></u>
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The accompanying notes are an integral part of these financial statements.

MURRAY COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

ASSETS	Private Purpose Trust Fund	Agency Funds
	<hr/>	<hr/>
Cash	\$ 39,874	\$ 209,749
Investments	25,389	-
Receivables	22	-
	<hr/>	<hr/>
Total assets	<u>\$ 65,285</u>	<u>\$ 209,749</u>
 LIABILITIES		
Funds held for others	<u>\$ -</u>	<u>\$ 209,749</u>
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>\$ 209,749</u>
 NET POSITION		
Restricted for scholarships	<u>65,285</u>	
	<hr/>	
Total liabilities and net position	<u>\$ 65,285</u>	

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

MURRAY COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Contributions	\$ 10,000
Investment income	25
Total additions	<u>10,025</u>
DEDUCTIONS	
Scholarships awarded	<u>11,500</u>
Total deductions	<u>11,500</u>
Change in net position	(1,475)
Net position, beginning of year	<u>66,760</u>
Net position, end of year	<u><u>\$ 65,285</u></u>

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Government-wide Statements:

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for interfund transfers for the payment of general long-term debt principal, interest and paying agent's fees.

The School District also reports the following fund types:

- *Private-Purpose Trust Fund* - This fund is used to account for an endowment of which the corpus is to be invested and to be used to provide scholarships to graduates.
- *Agency Fund* accounts for resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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 School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and capital leases are reported as other financing sources.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

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

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

Cash and cash equivalents consist of cash on hand, demand deposits, Georgia Fund 1 and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks or insured federal savings and loan associations.

Investments

COMPOSITION OF INVESTMENTS

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

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

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on federal, state or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements are reported net of an allowance for uncollectible receivables when necessary.

Property Taxes

The Murray County Tax Commissioner levied the property tax for the 2017 tax digest year (calendar year) on September 1, 2017 (levy date). Taxes were due on December 1, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Murray County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations amounted to \$11,565,699. Allowances for uncollectible property taxes at June 30, 2018 for the School District's General Fund is \$268,219.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Murray County Board of Education is in compliance with this law. Tax millage rates levied for the 2017 tax year (calendar year) for the Murray County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Maintenance and Operations	15.50 mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$4,707,570 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

FOOD INVENTORIES

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

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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

		<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$	50,000	N/A
Land Improvements	\$	25,000	15 years
Buildings and Improvements	\$	50,000	60 years
Building Improvements	\$	25,000	15 years
Equipment	\$	25,000	5 to 12 years

MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has seven (7) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred outflow of resources for the District's actual contributions to the pension plan during the fiscal year ended June 30, 2018 which are subsequent to the measurement date of the net pension liability and will be recognized in fiscal year 2019; (2) a deferred outflow of resources for experience gains or losses related to the pension plan which will be amortized over the remaining service period; (3) a deferred outflow of resources for the changes in actuarial assumptions which will be amortized over the remaining service period; (4) a deferred outflow of resources for the change in the District's proportionate share based on actual contributions towards the pension plan, which will be amortized over the remaining service period; (5) a deferred outflow of resources for the District's actual contributions to the OPEB plan during the fiscal year ended June 30, 2018 which are subsequent to the measurement date of the net OPEB liability and will be recognized in fiscal year 2019; (6) a deferred outflow of resources for the change in the District's proportionate share based on actual contributions towards the school OPEB plan, which will be amortized over the remaining service period; and (7) a deferred outflow of resources for the net difference between projected and actual investment earnings on the OPEB assets, which will be amortized over a five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The District has five (5) items that qualify for reporting in this category which occurs only in the governmental activities. Governmental Activities report (1) a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets, which will be amortized over a five year period; (2) a deferred inflow of resources for experience gains or losses from periodic studies by the actuary, which will be amortized over the remaining service period; (3) a deferred inflow of resources for the change in the District's proportionate share based on actual contributions towards the pension plan, which will be amortized over the remaining service period; (4) a deferred inflow of resources for the changes in actuarial assumptions in relation to the OPEB plan which will be amortized over the remaining service period; (5) a deferred inflow of resources for the change in the District's proportionate share based on actual contributions towards the OPEB plan, which will be amortized over the remaining service period.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are accrued and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

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

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through adoption of a subsequent resolution.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2018:

General Fund:		
Support services:		
Pupil services	\$	650,155
Educational media services		43,875
School administration		244,561
Other support services		244,749
Debt service:		
Principal retirement		430,229
Interest and fees		22,883

These over expended departments were funded with revenues recognized in excess of anticipated levels.

Note 4: DEPOSITS AND INVESTMENTS

CATEGORIZATION OF INVESTMENTS

At June 30, 2018, the carrying value of the School District's total investments was \$329,494, which is stated at fair value.

The investment in the local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School District's investment in the Georgia Fund 1 is reported at fair value. The School District considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	10 days	\$ 9,231,791
Certificates of deposit	Less than a year	329,494
Total		<u>\$ 9,561,285</u>

MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4: DEPOSITS AND INVESTMENTS (Continued)

INTEREST RATE RISK

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

FAIR VALUE MEASUREMENTS

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School District does not disclose investment in the Georgia Fund 1 within the fair value hierarchy.

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2018, the financial institution holding some of the District's deposits is a participant in the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of June 30, 2018, the School District's cash accounts were insured and/or collateralized as defined by GASB Standards.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. For the year ended June 30, 2018, the commodities usage is recorded at their federally assigned value of \$374,527.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6: CAPITAL ASSETS

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

	<u>Balances July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances June 30, 2018</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,149,570	\$ -	\$ -	\$ -	\$ 4,149,570
Construction in progress	41,155	13,161,594	-	-	13,202,749
Total	<u>4,190,725</u>	<u>13,161,594</u>	<u>-</u>	<u>-</u>	<u>17,352,319</u>
Capital assets, being depreciated:					
Building improvements	106,351,840	-	(2,985,817)	-	103,366,023
Equipment	16,592,520	77,319	-	-	16,669,839
Land improvements	6,939,350	453,306	-	-	7,392,656
Total	<u>129,883,710</u>	<u>530,625</u>	<u>(2,985,817)</u>	<u>-</u>	<u>127,428,518</u>
Less accumulated depreciation for:					
Building improvements	(23,965,672)	(1,825,301)	1,233,364	-	(24,557,609)
Equipment	(14,657,044)	(591,885)	-	-	(15,248,929)
Land improvements	(3,812,617)	(356,355)	-	-	(4,168,972)
Total	<u>(42,435,333)</u>	<u>(2,773,541)</u>	<u>1,233,364</u>	<u>-</u>	<u>(43,975,510)</u>
Total capital assets, being depreciated, net	<u>87,448,377</u>	<u>(2,242,916)</u>	<u>(1,752,453)</u>	<u>-</u>	<u>83,453,008</u>
Governmental activities capital assets, net	<u>\$ 91,639,102</u>	<u>\$ 10,918,678</u>	<u>\$ (1,752,453)</u>	<u>\$ -</u>	<u>\$ 100,805,327</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 2,053,001
Support services:	
General administration	86,656
Maintenance and operation of facilities	357,738
Student transportation services	229,462
Operations of non-instructional services	
Food services	46,684
	<u>\$ 2,773,541</u>

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer From	Transfers To	Amount
District-Wide Capital Projects	Debt Service	\$ 4,291,036
General Fund	Debt Service	1,450,311
	Total	\$ 5,741,347

Transfers are used to move SPLOST proceeds from District-Wide Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum. Also, transfers used to move monies from General Fund to Debt Service Fund to fund debt service.

Note 8: RISK MANAGEMENT

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

The School District participates in the Georgia Education Workers' Compensation Trust (the "Trust"), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 8: RISK MANAGEMENT (Continued)

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2017	\$ -	\$ 8,753	\$ 8,753	\$ -
2018	\$ -	\$ 617	\$ 617	\$ -

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$25,000

Note 9: LONG – TERM DEBT

COMPENSATED ABSENCES

Vacation leave must be used in the fiscal year in which it is earned. Accordingly, there is no liability for vacation leave at year end.

Sick and personal leave do not vest with the employee, and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Outstanding Balance at June 30, 2018</u>
General Government - Series 2017	5.00%	\$ 13,700,000
		<u>\$ 13,700,000</u>

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9: LONG – TERM DEBT (Continued)

The changes in long-term obligations during the fiscal year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 18,700,000	\$ -	\$ (5,000,000)	\$ 13,700,000	\$ 3,470,000
Unamortized bond premium	1,480,339	-	(424,665)	1,055,674	-
Total bonds payable	<u>20,180,339</u>	<u>-</u>	<u>(5,424,665)</u>	<u>14,755,674</u>	<u>3,470,000</u>
Capital leases	979,214	-	(430,229)	548,985	201,704
Net pension liability	62,863,007	6,073,674	(14,886,888)	54,049,793	-
Net OPEB Liability	58,948,724	2,852,278	(7,800,684)	54,000,318	-
Governmental activity Long-term liabilities	<u>\$ 142,971,284</u>	<u>\$ 8,925,952</u>	<u>\$ (28,542,466)</u>	<u>\$ 123,354,770</u>	<u>\$ 3,671,704</u>

For governmental activities, the net pension and OPEB liabilities are being liquidated primarily by the General Fund.

In fiscal year 2017, the School District issued \$13,700,000 of Series 2017 General Obligation Refunding Bonds to finance the costs of acquiring, constructing, and equipping certain capital outlay projects of the School District. The School District has pledged its full faith and credit and taxing power to service the debt.

At June 30, 2018, payments due by fiscal year, which includes principal and interest, for these items are as follows:

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 3,470,000	\$ 598,250
2020	3,535,000	423,125
2021	2,125,000	281,625
2022	2,230,000	172,750
2023	<u>2,340,000</u>	<u>58,500</u>
Total	<u>\$ 13,700,000</u>	<u>\$ 1,534,250</u>

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 9: LONG – TERM DEBT (Continued)

CAPITAL LEASE PAYABLE

In fiscal year 2016, the School District entered into an agreement for the purpose of purchasing busses. Under the terms of the agreement, the School District will assure that the payments of principal and interest on the capital lease are made in a timely manner through August 26, 2019. The total annual payment is \$137,919. In fiscal year 2012, the School District entered into an agreement for the purchase of energy efficient equipment. Energy efficient lease agreement October 11, 2011 was executed by and between the School District, the lessee and Grant Capital Management, Inc., the lessor. This agreement authorized the borrowing of \$670,502, for the purchase of energy efficient equipment, machinery supplies, building modifications and other energy saving items. Payments of these leases shall be made from the School District's general fund. These leases qualify for financial reporting as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The following is an analysis of assets under capital leases as of June 30, 2018:

<u>Asset</u>	<u>Governmental Activities</u>
Equipment	\$ 1,276,529
Accumulated depreciation	(677,971)
Total net book value of leased assets	<u>\$ 598,558</u>

The annual amortization of the leased assets value is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 217,071
2020	217,071
2021	79,152
2022	65,960
Total minimum lease payments	<u>579,254</u>
Less: amount representing interest	<u>(30,269)</u>
Present value of minimum lease payments	548,985
Less: current liabilities	<u>(201,704)</u>
	<u>\$ 347,281</u>

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$136,456 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Teachers Retirement District
for Teachers Retirement (TRS)
in the amount of \$22,440

State Treasurer of the State of Georgia
Paid to the Public School Employees Retirement System
for Public School Employees Retirement (PSERS) Employer's Cost
in the amount of \$114,016

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2018:

<u>Project</u>	
Spring Place Elementary	\$ 2,822,752

The amount described in this note is not reflected in the basic financial statements.

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of annual school district payroll, excluding payroll attributable to those personnel funded on behalf of the District by the State. District contributions to TRS, excluding contributions funded by the State on behalf of the District were \$5,779,532 for the year ended June 30, 2018.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support attributable to those personnel funded on behalf of the District by the State of Georgia. The amount recognized by the District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 54,049,793
State of Georgia's proportionate share of the net pension liability associated with the District	<u>346,430</u>
Total	<u><u>\$ 54,396,223</u></u>

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was 0.290820%, which was a decrease of 0.013880% from its proportion measured as of June 30, 2016.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$4,881,488 and revenue of \$42,912 for support provided by the State of Georgia for certain support personnel. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 371,953
Differences between expected and actual experience	2,021,795	203,978
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,334,038
Actuarial assumption changes	1,184,838	-
District contributions subsequent to the measurement date	<u>5,779,532</u>	<u>-</u>
Total	<u>\$ 8,986,165</u>	<u>\$ 3,909,969</u>

District contributions subsequent to the measurement date of \$5,779,532 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ (1,389,613)
2020	1,892,452
2021	708,756
2022	(1,900,595)
2023	<u>(14,336)</u>
Total	<u>\$ (703,336)</u>

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 88,702,051	\$ 54,049,793	\$ 25,504,120

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

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

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

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

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

Pension Liabilities and Pension Expense: At June 30, 2018, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the District is as follows:

State of Georgia's proportionate share of the Net Pension Liability associated with the District	\$ <u>502,367</u>
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The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$101,247 and revenue of \$101,247 for support provided by the State of Georgia.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

GENERAL INFORMATION ABOUT THE PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS) (Continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20	9.00
Domestic mid stocks	3.40	12.00
Domestic small stocks	1.40	13.50
International developed market stocks	17.80	8.00
International emerging market stocks	5.20	12.00
Alternatives	5.00	11.00
Total	<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

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

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 13: RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLAN

The Murray County Board of Education has a supplemental plan established under Internal Revenue Section 403(b). The School District contributes 3% of each individual full-time employee's salary. An employee becomes fully vested in the Plan with two years of service. Funds accumulated in the employer paid accounts are only available to the employee upon termination and two years of service to the School District. If an employee terminates employment prior to achieving two years of service, funds paid on behalf of the non-vested employee are credited back to the School District. Lincoln Financial Group is the current vendor for the plan. Employer contributions for the current fiscal year were \$1,080,694 and the employee contributions were \$1,498,973.

Note 14: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL EMPLOYEES POSTEMPLOYMENT HEALTH BENEFIT FUND

Plan Description: The District participates in the State of Georgia School Employees Postemployment Benefit Fund (School OPEB Fund), which is an other postemployment benefit (OPEB) plan administered by the State of Georgia Department of Community Health (DCH). Certified teachers and non-certified employees of the District as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund of the State of Georgia and administered by a Board of Community Health (DCH Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the DCH Board. The School OPEB Fund is included in the State of Georgia Comprehensive Annual Financial Report which is publicly available and can be obtained at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

Benefits: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

GEORGIA SCHOOL PERSONNEL EMPLOYEES POSTEMPLOYMENT HEALTH BENEFIT FUND (Continued)

Contributions: As established by the Board of Community Health, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions required and made to the School OPEB Fund from the District were \$1,945,303 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Effective July 1, 2017, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the District's accounting for OPEB amounts. The information disclosed in this note is presented in accordance with this new standard.

At June 30, 2018, the District reported a liability of \$54,000,318 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was actuarially determined based on employer contributions to the School OPEB Fund during the fiscal year ended June 30, 2017. At June 30 2017, the District's proportion was 0.384345%, which was a decrease of 0.013412% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,836,483. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 15,795	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,684,693
Changes in plan assumptions	-	4,111,986
District contributions subsequent to the measurement date	1,945,303	-
Total	\$ 1,961,098	\$ 5,796,679

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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

District contributions subsequent to the measurement date of \$1,945,303 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (1,038,620)
2020	(1,038,620)
2021	(1,038,620)
2022	(1,038,620)
2023	(1,042,569)
2024	(583,835)
Total	<u><u>\$ (5,780,884)</u></u>

Actuarial assumptions

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.75%
Salary Increases	TRS – 3.25-9.00%, including inflation PSERS – N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate:	
Pre-Medicare eligible	7.75%
Medicare eligible	5.75%
Ultimate trend rate	
Pre-Medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For TRS Members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) was used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 2 years for males and four years for females) was used for death after disability retirement.
- For PSERS Members: The RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) was used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension system, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies, and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

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

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

Asset class	Target allocation	Long-term expected real rate of return
Local Government Investment Pool	100.00%	3.88%

Discount rate

The discount rate has changed since the prior measurement date from 3.07% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyer Index). The projection of cash flows used to determine the discount rate assumed that the current sharing of costs between the employer and the member will continue and that contributions from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the long-term expected rate of return on OPEB plan investments was applied to discount projected benefit payments until 2029. The discount rate of 3.58% was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. The calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 14: POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:
The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current discount rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net OPEB liability	\$ 64,115,704	\$ 54,000,318	\$ 46,017,229

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate: The following presents the District's proportionate share of the net OPEB liability calculated using the healthcare cost trend rates of 5.00% to 7.75%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00% to 6.75%) or 1-percentage-point higher (6.00% to 8.75%) than the current rates:

	1% Decrease (4.00% to 6.75%)	Current discount rate (5.00% to 7.75%)	1% Increase (6.00% to 8.75%)
District's proportionate share of the net OPEB liability	\$ 44,760,112	\$ 54,000,318	\$ 66,031,053

**MURRAY COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15: TAX ABATEMENTS

For the year ended June 30, 2018, School District property tax revenues were reduced by \$1,297,592 under agreements entered into by the Murray County Industrial Development Authority. Under the agreements, taxes on both real property and personal property are reduced based on jobs created and investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

Note 16: CHANGE IN REPORTING ENTITY

The School District has properly changed the reporting for the Dunn Scholarship, Howard Scholarship and Baxter Scholarship from the Nonmajor Governmental Fund to a private purpose trust fund based on the purpose and use of these activities and resources. This changed the beginning fund balances of governmental funds and the beginning net position of governmental activities by \$66,760.

Note 17: CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District is required to change its accounting treatment of OPEB liabilities and the related OPEB expense. The new standard requires that the District's proportionate share of the Net OPEB Liability be recorded on the Statement of Net Position. Therefore, in conjunction with the implementation of Statement No. 75, the following restatement was required to the beginning net position of the Governmental Activities to properly recognize the District's Net OPEB Liability and related deferred outflows of resources for contributions subsequent to the measurement date as of the end of the prior period:

	Governmental Activities
Net Position - beginning, as previously reported	\$ 51,715,517
Change in reporting entity	(66,760)
Recognition of the net OPEB liability related to the OPEB plan accordance with GASB Statement No. 75	(58,948,724)
Recognition of the beginning of the measurement period deferred outflows of resources for contributions subsequent to the measurement period in accordance with GASB Statement No. 75	2,004,005
Net Position - beginning, as restated	\$ (5,295,962)

II. REQUIRED SUPPLEMENTARY INFORMATION

MURRAY COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 13,535,000	\$ 13,535,000	\$ 13,211,380	\$ (323,620)
State funds	43,578,453	43,578,453	44,555,703	977,250
Federal funds	8,634,886	8,634,886	8,209,631	(425,255)
Charges for services	605,946	605,946	1,654,441	1,048,495
Investment income	2,500	2,500	25,447	22,947
Miscellaneous	204,500	204,500	1,084,096	879,596
Total revenues	<u>66,561,285</u>	<u>66,561,285</u>	<u>68,740,698</u>	<u>2,179,413</u>
EXPENDITURES				
Current:				
Instruction	42,778,301	40,816,276	40,281,196	535,080
Support services:				
Pupil services	1,821,895	2,069,611	2,719,766	(650,155)
Improvement of instructional services	1,143,543	2,618,971	2,397,503	221,468
Educational media services	974,927	999,927	1,043,802	(43,875)
General administration	684,138	961,246	932,663	28,583
School administration	3,810,392	3,810,392	4,054,953	(244,561)
Business administration	418,358	418,358	401,908	16,450
Maintenance and operation of plant	5,519,156	5,531,195	4,695,768	835,427
Student transportation services	2,896,192	3,109,257	2,904,979	204,278
Central support services	1,515,574	1,615,574	1,615,347	227
Other support services	47,767	47,130	291,879	(244,749)
Food services operation	5,311,797	5,342,939	4,861,727	481,212
Debt service:				
Principal retirement	-	-	430,229	(430,229)
Interest and fees	-	-	22,883	(22,883)
Total expenditures	<u>66,922,040</u>	<u>67,340,876</u>	<u>66,654,603</u>	<u>686,273</u>
Excess (deficiency) of revenues over expenditures	<u>(360,755)</u>	<u>(779,591)</u>	<u>2,086,095</u>	<u>2,865,686</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	<u>(1,276,650)</u>	<u>(1,506,650)</u>	<u>(1,450,311)</u>	<u>56,339</u>
Total other financing sources (uses)	<u>(1,226,650)</u>	<u>(1,456,650)</u>	<u>(1,450,311)</u>	<u>6,339</u>
Net change in fund balances	<u>(1,587,405)</u>	<u>(2,236,241)</u>	<u>635,784</u>	<u>2,872,025</u>
FUND BALANCES, beginning of year	<u>11,299,839</u>	<u>11,299,839</u>	<u>11,299,839</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 9,712,434</u>	<u>\$ 9,063,598</u>	<u>\$ 11,935,623</u>	<u>\$ 2,872,025</u>

MURRAY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.290820%	0.304700%	0.312394%	0.318379%
District's proportionate share of the net pension liability	\$ 54,049,793	\$ 62,863,007	\$ 47,558,884	\$ 40,222,987
State of Georgia's proportionate share of the net pension liability associated with the District	<u>346,430</u>	<u>268,204</u>	<u>232,166</u>	<u>197,085</u>
Total	<u>\$ 54,396,223</u>	<u>\$ 63,131,211</u>	<u>\$ 47,791,050</u>	<u>\$ 40,420,072</u>
District's covered payroll	\$ 33,631,473	\$ 33,569,847	\$ 33,135,922	\$ 32,644,102
District's proportionate share of the net pension liability as a percentage of its covered payroll	160.71%	187.26%	143.53%	123.22%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MURRAY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 5,779,532	\$ 4,772,349	\$ 4,770,070	\$ 4,336,309	\$ 4,008,700	\$ 3,723,252	\$ 3,393,836	\$ 3,622,721	\$ 3,716,484
Contributions in relation to the contractually required contributions	5,779,532	4,772,349	4,770,070	4,336,309	4,008,700	3,723,252	3,393,836	3,622,721	3,716,484
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distinet's covered payroll	\$ 34,381,511	\$ 33,631,473	\$ 33,569,847	\$ 33,135,922	\$ 32,644,102	\$ 32,631,458	\$ 33,011,802	\$ 35,240,525	\$ 38,156,888
Contributions as a percentage of covered payroll	16.81%	14.19%	14.21%	13.09%	12.28%	11.41%	10.28%	10.28%	9.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MURRAY COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
 FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District’s proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
District’s proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State of Georgia’s proportionate share of the net pension liability associated with the District	<u>502,367</u>	<u>697,490</u>	<u>506,278</u>	<u>476,257</u>
Total	<u>\$ 502,367</u>	<u>\$ 697,490</u>	<u>\$ 506,278</u>	<u>\$ 476,257</u>
District’s covered-employee payroll	\$ 1,465,184	\$ 1,440,880	\$ 1,504,138	\$ 1,614,770
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	85.69%	81.00%	87.00%	88.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MURRAY COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2018</u>
District's proportion of the net OPEB liability	0.384345%
District's proportionate share of the net OPEB liability	<u>\$ 54,000,318</u>
Total	<u><u>\$ 54,000,318</u></u>
District's covered-employee payroll	\$ 30,756,520
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	175.57%
Plan fiduciary net position as a percentage of the total OPEB liability	1.61%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MURRAY COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE FISCAL YEAR ENDED JUNE 30**

	2018
Contractually required contributions	\$ 1,945,303
Contributions in relation to the contractually required contributions	<u>1,945,303</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 31,529,799
Contributions as a percentage of covered-employee payroll	6.170%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MURRAY COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Teachers Retirement System of Georgia:

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

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public Schools Employees Retirement System of Georgia:

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

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

School OPEB Fund:

Changes of benefit terms : In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

III. OTHER SUPPLEMENTARY INFORMATION

MURRAY COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Cost (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completed Cost</u>	<u>Project Status</u>
Constructing and equipping a new facility at Spring Place Elementary School or extensive renovations and improvements to the existing Spring Place facility; renovations and improvements to Murray County High School including athletic facilities; renovations and improvements to Gladden Middle School; technology upgrades and equipment and system-wide renovations and improvements; adding to, remodeling, renovating, improving, and equipping existing educational buildings, properties, and facilities of the school district; and acquiring any property, both real and personal, and equipment necessary therefor.	20,125,000	20,125,000	10,220,666	219,737	10,440,403	Ongoing
Total	<u>\$ 20,125,000</u>	<u>\$ 20,125,000</u>	<u>\$ 10,220,666</u>	<u>\$ 219,737</u>	<u>\$ 10,440,403</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Murray County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ -
Current Year	<u>648,847</u>
Total	<u>\$ 648,847</u>

IV. SINGLE AUDIT SECTION



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

**To the Superintendent and Members of
the Murray County Board of Education
Chatsworth, Georgia**

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 the Murray County Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Murray County Board of Education's basic financial statements, and have issued our report thereon dated June 21, 2019. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Murray County Board of Education's Response to the Finding

Murray County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and management's corrective action plan. Murray County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 21, 2019



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

**To the Superintendent and Members of
the Murray County Board of Education
Douglasville, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Murray County Board of Education's 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 Murray County Board of Education's major federal programs for the year ended June 30, 2018. The Murray County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Murray County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Murray County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Murray County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Murray County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Murray County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Murray County Board of Education's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 21, 2019

MURRAY COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through Georgia Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	10.553	18185GA324N1099	\$ 1,181,926
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	18185GA324N1100	374,527
Cash Assistance	10.555	18185GA324N1100	2,637,160
School Snack Program	10.555	18185GA324N1100	30,239
Total Child Nutrition Cluster			<u>4,223,852</u>
State Administrative Expenses for Child Nutrition	10.560	175GA904N2533	<u>10,399</u>
Passed through Office of the State Treasurer			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	17165GA904N2533	<u>45,613</u>
Total U. S. Department of Agriculture			<u>4,279,864</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through the Georgia Department of Education:			
Title I, Part A Program - Local Education Agency	84.010	S010A160010	167,439
Title I, Part A Program - Local Education Agency	84.010	S010A170010	1,545,254
Total Title I, Part A Program			<u>1,712,693</u>
Migrant Education - State Grant Program	84.011	S0111A160011	11,318
Migrant Education - State Grant Program	84.011	S0111A170011	32,809
			<u>44,127</u>
Striving Readers	84.371	S371C160002	<u>282,850</u>
Title II-A - Improving Teacher Quality	84.367	S367A160001	16,687
Title II-A - Improving Teacher Quality	84.367	S367A170001	169,131
Total Title II Program			<u>185,818</u>
Special Education Cluster (IDEA)			
Title VI-B Preschool	84.173	H173A160081	9,732
Title VI-B Preschool	84.173	H173A170081	27,148
Title VI-B Flowthrough	84.027	H027A160073	321,342
Title VI-B Flowthrough	84.027	H027A170073	1,111,682
Total Special Education Cluster (IDEA)			<u>1,469,904</u>
Education for Homeless Children and Youth	84.196	S196A170011	40,749
Total Education for Homeless Children and Youth			<u>40,749</u>
Title III Program			
Title III - Limited English Proficient	84.365	S367A160001	14,609
Title III - Limited English Proficient	84.365	S367A170001	71,387
Total Title III Program			<u>85,996</u>

(Continued)

MURRAY COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Expenditures</u>
U. S. DEPARTMENT OF EDUCATION (Continued):			
Passed through Georgia Department of Education (continued):			
Vocational Education - Perkins Plus	84.048	V048A170010	10,415
Vocational Education - Perkins IV - Program Improvement	84.048	V048A170010	59,116
Vocational Education - Perkins IV -Reserve - Perkins Carryover	84.048	V048A170010	3,616
Total Vocational Education			<u>73,147</u>
 Title IV A - Student Support and Academic Enrichment	 84.424	 S424A170011	 <u>38,609</u>
 Total Passed Through Georgia Department of Education			 <u>3,933,893</u>
 Total U. S. Department of Education			 <u>3,933,893</u>
 Total Expenditures of Federal Awards			 <u>\$ 8,213,757</u>

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Murray County Board of Education and is presented on the modified accrual basis of accounting.

The School District did not utilize the 10% de minimis indirect cost rate.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major federal programs:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal program:

Name of Federal Program or Cluster
Child Nutrition Cluster

CFDA Number
10.553 and 10.555

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Capital Assets Reporting

Criteria: Internal controls should be in place to ensure that the amounts reported in the School District's financial statements for capital assets and accumulated depreciation are free of material misstatement.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the School District's construction in progress, buildings, accumulated depreciation and depreciation expense.

Context/Cause: During our testing, audit adjustments were required to properly report construction in progress, buildings, accumulated depreciation, depreciation expense and the loss on disposal of capital assets. The nature of the required adjustments are as follows:

- An adjustment of approximately \$610,000 was required to increase construction in progress and decrease expenses due to the School District not including retainage expenses in the cost of the project as they are accrued.
- An adjustment of approximately \$288,000 was required to record additional capital assets that was discovered during our review of non-capitalized capital projects fund expenditures.
- An adjustment of approximately \$3,000,000 was required to decrease the buildings cost and accumulated depreciation. This entry was required to properly remove a building that was demolished during the current fiscal year.

Effects: Audit adjustments of approximately \$3,898,000 were necessary to correctly report capital assets, accumulated depreciation and depreciation expense for the fiscal year ended June 30, 2018.

Recommendation: We recommend management review the depreciation reports and capital asset listings to ensure amounts are being properly recorded and that all disposals are properly recorded. We recommend management also review all non-capitalized repair, maintenance and small equipment accounts to identify all capital asset expenditures.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that amounts reported for capital assets are accurate and properly calculated.

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

MURRAY COUNTY BOARD OF EDUCATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

None reported.



Murray County Schools

P.O. Box 40 • 715 Chestnut St.
Chatsworth, GA 30705
Phone: 706-695-4531 • FAX: 706-695-8425

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

2018-001 Capital Asset Reporting

Name of the Contact Person Responsible for the Corrective Action Plan: Wendy Sosebee,
Finance Director.

Corrective Action Plan: The deficiency noted was identified during the audit process for year ended June 30, 2018. The Finance Director will begin utilizing a new capital asset tracking system for the period ending June 30, 2019 to ensure that the buildings, accumulated depreciation, and depreciation expense are properly reported and calculated. We will continue to follow our designed controls over financial reporting to ensure the financial statements are materially correct when presented for audit. The Finance Director will reconcile capital outlay to capital asset additions for the period in order to detect any non-capitalized expenditures.

Anticipated Completion Date: June 6, 2019