

MURRAY COUNTY
BOARD OF EDUCATION
CHATSWORTH, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(Including Independent Auditor's Reports)

MURRAY COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 23, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Murray County Board of Education

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Murray County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Murray County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Murray County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 29 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Murray County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-11

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, 2011, and June 30, 2010. 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 2011 and 2010 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $87.8 million and $82.6 million, respectively, for the fiscal years ended June 30, 2011, and June 30, 2010. Of these amounts $7,882,327 and $5,465,965, respectively, for fiscal years 2011 and 2010 are available for spending at the School District's discretion.

- The School District had $66.8 million and $65.2 million, respectively, in expenses for the fiscal years ended June 30, 2011, and June 30, 2010, relating to governmental activities. Only $46.7 million and $53.5 million of the above mentioned expenses for 2011 and 2010 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) totaling $25.3 million and $25.1 million, respectively, for 2011 and 2010 were adequate to provide for these programs.

- As stated above, general revenues accounted for $25.3 million or 35.1% of all revenues totaling $72.0 million for fiscal year 2011 and $25.1 million or 31.9% of all revenues totaling $78.6 million for fiscal year 2010. Program specific revenues in the form of charges for services, grants and contribution accounted for the rest.

Overview of the Financial Statements

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

The District-wide financial statements include the Statement of Net Assets 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, District-wide 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.

District-wide Statements

The District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all District's assets and liabilities 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 assets and any changes in those assets. The change in net assets 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 Assets and the Statement of Activities reflects the School District's governmental activities.

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 Assets and the Statement of Activities) and governmental funds are reconciled to 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 District-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 Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Assets		
Current and Other Assets	$ 22,178,059	$ 29,339,455
Capital Assets, Net	104,764,464	98,833,578
Total Assets	$ 126,942,523	$ 128,173,033
Liabilities		
Current and Other Liabilities	$ 8,340,823	$ 10,112,257
Long-Term Liabilities	30,790,203	35,418,029
Total Liabilities	$ 39,131,026	$ 45,530,286
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 73,974,261	$ 65,926,960
Restricted	5,954,909	11,249,822
Unrestricted	7,882,327	5,465,965
Total Net Assets	$ 87,811,497	$ 82,642,747

Table 2 shows the Changes in Net Assets for fiscal years ending June 30, 2011, and June 30, 2010.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 1,063,105	$ 1,107,782
Operating Grants and Contributions	44,117,070	43,400,202
Capital Grants and Contributions	1,554,862	8,987,463
Total Program Revenues	$ 46,735,037	$ 53,495,447
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 13,807,327	$ 14,022,140
Other	536,152	
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	4,257,799	3,996,497
Other Sales Tax	42,275	41,411
Grants and Contributions not		
Restricted to Specific Programs	4,668,008	4,709,977
Investment Earnings	97,087	196,468
Miscellaneous	1,093,330	1,119,513
Special Items		
Insurance Proceeds	760,463	1,020,197
Total General Revenues and Special Items	$ 25,262,441	$ 25,106,203
Total Revenues	$ 71,997,478	$ 78,601,650
Program Expenses:		
Instruction	$ 42,225,945	$ 42,691,677
Support Services		
Pupil Services	1,913,417	2,137,516
Improvement of Instructional Services	1,740,507	1,775,824
Educational Media Services	1,113,979	1,215,084
General Administration	718,146	529,202
School Administration	3,546,143	3,444,726
Business Administration	322,147	314,399
Maintenance and Operation of Plant	5,688,984	4,298,323
Student Transportation Services	2,526,216	2,139,576
Central Support Services	1,129,777	1,162,834
Other Support Services	215,115	131,138
Operations of Non-Instructional Services		
Food Services	4,776,575	4,151,449
Interest on Short-Term and Long-Term Debt	911,777	1,252,545
Total Expenses	$ 66,828,728	$ 65,244,293
Increase in Net Assets	$ 5,168,750	$ 13,357,357

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

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 42,225,945	$ 42,691,677	$ 9,376,173	$ 5,139,922
Support Services:				
Pupil Services	1,913,417	2,137,516	1,343,543	1,560,334
Improvement of Instructional Services	1,740,507	1,775,824	1,260,976	1,327,029
Educational Media Services	1,113,979	1,215,084	140,302	244,577
General Administration	718,146	529,202	-702,982	-1,023,659
School Administration	3,546,143	3,444,726	1,056,370	1,260,666
Business Administration	322,147	314,399	307,962	298,459
Maintenance and Operation of Plant	5,688,984	4,298,323	2,973,903	-568,675
Student Transportation Services	2,526,216	2,139,576	2,079,386	1,928,733
Central Support Services	1,129,777	1,162,834	1,062,720	907,771
Other Support Services	215,115	131,138	36,419	4,813
Operations of Non-Instructional Services:				
Food Services	4,776,575	4,151,449	247,143	-583,670
Interest on Short-Term and Long-Term Debt	911,777	1,252,545	911,777	1,252,545
Total Expenses	$ 66,828,728	$ 65,244,293	$ 20,093,692	$ 11,748,845

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 $70.3 million and total expenditures of $77.4 million for fiscal year 2011 and total revenues of $77.4 million and total expenditures of $93.6 million for fiscal year 2010.

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 2011 and 2010, the School District amended its general fund budget as needed.

During fiscal year 2011 the General Fund had final actual revenues totaling $65.0 million, which represented an increase from the original budgeted amount of $61.1 million by $3.9 million. This difference (final actual vs. original budget) was primarily due to an increase in state revenues from original budget by $1.6 million and an increase in actual revenue from various sources, primarily from donations, miscellaneous sales, and fundraising from school activity accounts, over original budget by $1.2 million.

The actual revenues for fiscal year 2010 totaling $64.2 million represented a decrease from the final budgeted amount of $67.8 million by $3.6 million.

Final actual expenditures and other financing uses during fiscal year 2011 totaling $63.7 million represented an increase from the original budgeted amount of $63.5. The increase in actual expenditures versus original budget expenditures totaling $0.2 million was due primarily to an increase in actual instructional services expenses as compared to expenses projected in the original budget.

Final actual expenditures and other financing uses during fiscal year 2010 totaling $62.4 million represented a decrease from the original budgeted amount of $67.8 million. The decrease in actual expenditures versus original budget expenditures totaling $5.4 million was due primarily to a decrease in actual instructional expenses as compared to expenses projected in the original budget.

General fund revenues exceeded expenditures and other financing uses by $1,374,744 for the fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the fiscal years ended June 30, 2011, and June 30, 2010, the School District had $104.8 million and $98.8 million, respectively, invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	$ 4,149,570	$ 4,149,570
Construction In Progress	43,774,615	35,864,189
Building and Improvements	50,309,581	51,661,406
Equipment	5,965,273	6,513,737
Land Improvements	565,425	644,676
Total	$ 104,764,464	$ 98,833,578

Debt

At the fiscal years ending June 30, 2011, and June 30, 2010, the School District had $26.3 million and $30.3 million respectively, in bonds outstanding. Table 5 summarizes the School District's debt for general obligation bonds.

Table 5
Debt at June 30

Bond Rating	Bond Issue	Fiscal Year 2011	Fiscal Year 2010
Aaa	2007 Bonds	$ 9,750,000	$ 11,750,000
Aaa	2009 Bonds	16,500,000	18,500,000
Total Bonds Payable		$ 26,250,000	$ 30,250,000
Less Current Portion		4,250,000	4,000,000
Long-Term Bonds		$ 22,000,000	$ 26,250,000

Current Issues

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

- ELOST - In March 2007 the voters of the School District approved the continuation of the one percent Education Local Option Sales Tax and for the raising of not more than $30,000,000 for a period of twenty consecutive calendar quarters beginning July 2007. The primary purpose of this ELOST will allow the School District to fund the acquisition of land, construct and equip our new comprehensive high school, construct a new roof and related facilities at Murray County High School and perform various technology enhancements and facility upgrades system-wide.

- 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 District continues to provide an increasing amount of local monies to meet various mandated educational requirements. Additional financial pressure has been placed on the District due to energy costs and mandated lower teacher to student ratios, requiring additional teachers and additional classrooms. Despite these challenges, the Murray County 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.

- Subsequent Event – During fiscal year 2012, the School District issued two separate bonds, one for $1,200,000 in September 2011 and one for $1,000,000 in April 2012, respectively. Also, in May 2012, a Federal Court Judge dismissed a lawsuit in which the School District was a defendant.

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.

MURRAY COUNTY BOARD OF EDUCATION

MURRAY COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 8,134,785.10
Investments	4,215,315.88
Accounts Receivable, Net	
Interest	124.10
Taxes	2,898,325.37
State Government	5,465,798.28
Federal Government	1,300,320.02
Other	63,072.19
Inventories	100,318.25
Capital Assets, Non-Depreciable	47,924,184.78
Capital Assets, Depreciable (Net of Accumulated Depreciation)	56,840,279.02
Total Assets	$ 126,942,522.99
LIABILITIES	
Accounts Payable	$ 59,639.95
Salaries and Benefits Payable	7,401,864.48
Retainages Payable	879,319.02
Long-Term Liabilities	
Due Within One Year	4,900,634.52
Due in More Than One Year	25,889,567.96
Total Liabilities	$ 39,131,025.93
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 73,974,261.32
Restricted for	
Continuation of Federal Programs	1,178,395.52
Debt Service	4,719,750.00
Permanent Funds	56,763.13
Unrestricted	7,882,327.09
Total Net Assets	$ 87,811,497.06
Total Liabilities and Net Assets	$ 126,942,522.99

The notes to the basic financial statements are an integral part of this statement.

MURRAY COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 42,225,945.33	$ 289,463.00
Support Services		
Pupil Services	1,913,416.74	
Improvement of Instructional Services	1,740,507.37	
Educational Media Services	1,113,979.15	
General Administration	718,145.68	
School Administration	3,546,142.82	
Business Administration	322,147.38	
Maintenance and Operation of Plant	5,688,984.24	
Student Transportation Services	2,526,216.23	
Central Support Services	1,129,776.67	
Other Support Services	215,114.52	
Operations of Non-Instructional Services		
Food Services	4,776,574.96	773,642.03
Interest on Short-Term and Long-Term Debt	911,776.89	
Total Governmental Activities	$ 66,828,727.98	$ 1,063,105.03
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Items		
Insurance Proceeds		
Total General Revenues and Special Items		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

The notes to the basic financial statements are an integral part of this statement.

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 31,594,241.22	$ 966,068.18	$ -9,376,172.93
569,874.25		-1,343,542.49
479,531.16		-1,260,976.21
973,677.47		-140,301.68
1,395,641.80	25,485.66	702,981.78
2,485,214.49	4,558.29	-1,056,370.04
14,185.40		-307,961.98
2,437,950.69	277,130.44	-2,973,903.11
217,954.33	228,876.00	-2,079,385.90
46,766.22	20,290.35	-1,062,720.10
178,695.67		-36,418.85
3,723,336.64	32,453.15	-247,143.14
		-911,776.89
$ 44,117,069.34	$ 1,554,862.07	$ -20,093,691.54
		$ 13,807,326.71
		536,152.50
		4,257,799.69
		42,274.74
		4,668,008.00
		97,086.73
		1,093,329.86
		760,463.00
		$ 25,262,441.23
		$ 5,168,749.69
		82,642,747.37
		$ 87,811,497.06

MURRAY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND
ASSETS		
Cash and Cash Equivalents	$ 8,410,548.19	
Investments	223,076.21	$ 3,957,335.41
Accounts Receivable, Net		
Interest		
Taxes	2,445,426.18	452,899.19
State Government	4,480,892.38	984,905.90
Federal Government	1,300,320.02	
Interfund		14,795.00
Other	63,072.19	
Inventories	100,318.25	
Total Assets	$ 17,023,653.42	$ 5,409,935.50
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Cash Overdraft		$ 297,497.86
Accounts Payable	$ 59,639.95	
Accounts Payable - Interfund	14,795.00	
Salaries and Benefits Payable	7,401,864.48	
Retainages Payable		879,319.02
Deposits and Deferred Revenue	2,118,055.32	
Total Liabilities	$ 9,594,354.75	$ 1,176,816.88
FUND BALANCES		
Nonspendable	$ 100,318.25	
Restricted	1,564,708.65	$ 4,233,118.62
Assigned	541,445.52	
Unassigned	5,222,826.25	
Total Fund Balances	$ 7,429,298.67	$ 4,233,118.62
Total Liabilities and Fund Balances	$ 17,023,653.42	$ 5,409,935.50

The notes to the basic financial statements are an integral part of this statement.

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
$ 0.00	$ 21,734.77	$ 8,432,282.96
	34,904.26	4,215,315.88
	124.10	124.10
		2,898,325.37
		5,465,798.28
		1,300,320.02
		14,795.00
		63,072.19
		100,318.25
$ 0.00	$ 56,763.13	$ 22,490,352.05
		$ 297,497.86
		59,639.95
		14,795.00
		7,401,864.48
		879,319.02
		2,118,055.32
		$ 10,771,171.63
		$ 100,318.25
$ 0.00	$ 56,763.13	5,854,590.40
		541,445.52
		5,222,826.25
$ 0.00	$ 56,763.13	$ 11,719,180.42
$ 0.00	$ 56,763.13	$ 22,490,352.05

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MURRAY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 11,719,180.42
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 4,149,570.25	
Construction in Progress	43,774,614.53	
Land Improvements	2,282,475.82	
Buildings	64,551,787.73	
Equipment	14,057,563.05	
Accumulated Depreciation	-24,051,547.58	
Total Capital Assets		104,764,463.80
Taxes that are not available to pay for current period expenditures are deferred in the funds.		2,118,055.32
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -26,250,000.00	
Capital Leases Payable	-3,929,433.07	
Unamortized Bond Premiums	-610,769.41	
Total Long-Term Liabilities		-30,790,202.48
Net Assets of Governmental Activities (Exhibit "A")		$ 87,811,497.06

The notes to the basic financial statements are an integral part of this statement.

MURRAY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND
REVENUES		
Property Taxes	$ 13,425,740.61	
Sales Taxes	42,274.74	$ 4,257,799.69
State Funds	39,256,006.58	984,905.90
Federal Funds	10,099,026.93	
Charges for Services	1,063,105.03	
Investment Earnings	80,142.66	15,042.81
Miscellaneous	1,067,057.36	16,272.50
Total Revenues	$ 65,033,353.91	$ 5,274,020.90
EXPENDITURES		
Current		
Instruction	$ 40,941,682.68	$ 50.00
Support Services		
Pupil Services	1,913,416.74	
Improvement of Instructional Services	1,740,507.37	
Educational Media Services	1,113,979.15	
General Administration	650,516.20	
School Administration	3,534,046.82	
Business Administration	322,147.38	
Maintenance and Operation of Plant	4,192,996.87	
Student Transportation Services	2,380,021.84	
Central Support Services	1,075,933.63	
Other Support Services	215,114.52	
Food Services Operation	4,737,736.37	
Capital Outlay		8,851,170.40
Debt Services		
Principal	530,103.28	
Interest	178,017.32	
Total Expenditures	$ 63,526,220.17	$ 8,851,220.40
Excess of Revenues over (under) Expenditures	$ 1,507,133.74	$ -3,577,199.50
OTHER FINANCING SOURCES (USES)		
Insurance Proceeds		$ 760,463.00
Transfers In		132,389.53
Transfers Out	$ -132,389.53	-469,750.00
Total Other Financing Sources (Uses)	$ -132,389.53	$ 423,102.53
Net Change in Fund Balances	$ 1,374,744.21	$ -3,154,096.97
Fund Balances - Beginning	6,054,554.46	7,387,215.59
Fund Balances - Ending	$ 7,429,298.67	$ 4,233,118.62

The notes to the basic financial statements are an integral part of this statement.

	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
			$ 13,425,740.61
			4,300,074.43
			40,240,912.48
			10,099,026.93
			1,063,105.03
		$ 1,901.26	97,086.73
		10,000.00	1,093,329.86
	$ 0.00	$ 11,901.26	$ 70,319,276.07
			$ 40,941,732.68
		$ 500.00	1,913,916.74
			1,740,507.37
			1,113,979.15
			650,516.20
			3,534,046.82
			322,147.38
			4,192,996.87
			2,380,021.84
			1,075,933.63
			215,114.52
			4,737,736.37
			8,851,170.40
	$ 4,000,000.00		4,530,103.28
	1,009,500.00		1,187,517.32
	$ 5,009,500.00	$ 500.00	$ 77,387,440.57
	$ -5,009,500.00	$ 11,401.26	$ -7,068,164.50
			$ 760,463.00
	$ 469,750.00		602,139.53
			-602,139.53
	$ 469,750.00		$ 760,463.00
	$ -4,539,750.00	$ 11,401.26	$ -6,307,701.50
	4,539,750.00	45,361.87	18,026,881.92
	$ 0.00	$ 56,763.13	$ 11,719,180.42

MURRAY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -6,307,701.50
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 8,143,501.57	
Depreciation Expense	-2,212,615.37	
Excess of Capital Outlay over Depreciation Expense		5,930,886.20
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		917,738.60
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 4,000,000.00	
Capital Lease Payments	530,103.28	
Total Long-Term Debt Repayments		4,530,103.28
Some items 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. These activities consist of:		
Amortization of Bond Premium		97,723.11
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 5,168,749.69

The notes to the basic financial statements are an integral part of this statement.

MURRAY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 142,091.25
LIABILITIES	
Funds Held for Others	$ 142,091.25

The notes to the basic financial statements are an integral part of this statement.

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 District-wide financial statements, fund financial statements and notes to the basic financial statements of the Murray County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, governments and individuals.

BASIS OF ACCOUNTING

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

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

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

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). 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 respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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 Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

PROPERTY TAXES

The Murray County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on October 1, 2010 (levy date). Taxes were due on December 1, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. 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, 2011, for maintenance and operations amounted to $12,889,588.11.

The tax millage rate levied for the 2010 tax year (calendar year) for the Murray County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.50 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $4,257,799.69 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	$ 50,000.00	N/A
Land Improvements	$ 25,000.00	15 years
Buildings and Improvements	$ 50,000.00	60 years
Building Improvements	$ 25,000.00	15 years
Equipment	$ 25,000.00	5 to 12 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The School District recognizes bond issuance costs during the fiscal year bonds are issued. To conform to generally accepted accounting principles, bond issuance costs should be deferred and amortized over the life of the bonds using the straight-line method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

Invested in capital assets, net of related debt - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal Programs and debt service in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

FUND BALANCES

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

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2011, are as follows:

Nonspendable		
Inventories		$ 100,318.25
Restricted		
Continuation of Federal Programs	$ 1,078,077.27	
Debt Service	4,719,750.00	
Permanent Funds	56,763.13	5,854,590.40
Assigned		
School Activity Accounts		541,445.52
Unassigned		5,222,826.25
Fund Balance, June 30, 2011		$ 11,719,180.42

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 1.0% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

USE OF ESTIMATES

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

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were $10,745,710.91. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

At June 30, 2011, the carrying value of the School District's total investments was $3,670,271.43, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which are not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAm rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

NOTE 4: NON-MONETARY TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 4,149,570.25		$ 0.00	$ 4,149,570.25
Construction Work In Progress	35,864,188.96	$ 7,910,425.57		43,774,614.53
Total Capital Assets, Not Being Depreciated	$ 40,013,759.21	$ 7,910,425.57	$ 0.00	$ 47,924,184.78
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 64,551,787.73		$ 0.00	$ 64,551,787.73
Equipment	13,824,487.05	$ 233,076.00		14,057,563.05
Land Improvements	2,282,475.82			2,282,475.82
Less: Accumulated Depreciation:				
Buildings and Improvements	12,890,381.91	1,351,824.65		14,242,206.56
Equipment	7,310,750.16	781,539.87		8,092,290.03
Land Improvements	1,637,800.14	79,250.85		1,717,050.99
Total Capital Assets, Being Depreciated, Net	$ 58,819,818.39	$ -1,979,539.37	$ 0.00	$ 56,840,279.02
Governmental Activity Capital Assets - Net	$ 98,833,577.60	$ 5,930,886.20	$ 0.00	$ 104,764,463.80

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

	Governmental Funds
Equipment	$ 5,909,745.72
Less: Accumulated Depreciation	2,068,411.71
	$ 3,841,334.01

Current year depreciation expense by function is as follows:

Instruction		$ 1,086,521.66
Support Services		
General Administration	$ 57,254.17	
School Administration	10,240.30	
Maintenance and Operation of Plant	622,580.36	
Student Transportation Services	317,529.33	
Central Support Services	45,582.76	1,053,186.92
Food Services		72,906.79
		$ 2,212,615.37

NOTE 6: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2011, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund		$ 14,795.00
District-wide Capital Projects	$ 14,795.00	
	$ 14,795.00	$ 14,795.00

Transfers are used to move sales tax and property tax revenues as required matching funds or to provide supplemental funding for capital construction projects.

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
District-wide Capital Projects	$ 132,389.53	
Debt Service Fund		$ 469,750.00
Total	$ 132,389.53	$ 469,750.00

Transfers are used (1) to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects, and (2) to move sales tax collected by the District-wide Capital Projects Fund to the Debt Service Fund for payment of bond related debt.

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; acts of God and unemployment compensation.

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

For claims filed prior to fiscal year 2002, the School District has designated an independent contractor to operate a risk management program for Workers' Compensation. The School District's General Fund reimburses claims paid by the contractor. During the year under review, the School District's General Fund incurred expenditures of $78,295.69 for claims and related expenses incurred by the contractor.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 20,449.35	$ 20,449.35	$ 0.00
2011	$ 0.00	$ 78,295.69	$ 78,295.69	$ 0.00

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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 66,614.00	$ 66,614.00	$ 0.00
2011	$ 0.00	$ 118,736.00	$ 118,736.00	$ 0.00

The School District participates in the Georgia Education Workers' Compensation 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 insurance coverage. Additional 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 $1,000,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of $2,000,000.00.

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

Position Covered	Amount
All Employees	$ 25,000.00

NOTE 9: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 2,000,000.00	$ 2,000,000.00	$ 0.00

NOTE 10: LONG-TERM DEBT

CAPITAL LEASES

The Murray County Board of Education entered into various lease agreements for HVAC equipment, controls, and lighting. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	3.75% - 4.25%	$ 9,750,000.00
General Government - Series 2009	3.00% - 4.00%	16,500,000.00
		$ 26,250,000.00

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 30,250,000.00	$ 0.00	$ 4,000,000.00	$ 26,250,000.00	$ 4,250,000.00
Capital Leases	4,459,536.35		530,103.28	3,929,433.07	552,911.41
Bond Premiums Amortized	708,492.52		97,723.11	610,769.41	97,723.11
	$ 35,418,028.87	$ 0.00	$ 4,627,826.39	$ 30,790,202.48	$ 4,900,634.52

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2012	$ 552,911.41	$ 155,209.19
2013	576,700.90	131,419.70
2014	601,513.96	106,606.64
2015	627,394.62	80,725.98
2016	654,388.83	53,731.77
2017 - 2018	916,523.35	27,637.45
Total Principal and Interest	$ 3,929,433.07	$ 555,330.73

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2012	$ 4,250,000.00	$ 864,500.00	$ 97,723.11
2013	4,500,000.00	709,500.00	97,723.11
2014	2,800,000.00	582,500.00	97,723.11
2015	3,300,000.00	480,500.00	97,723.11
2016	3,500,000.00	359,250.00	97,723.11
2017 - 2018	7,900,000.00	313,000.00	122,153.86
Total Principal and Interest	$ 26,250,000.00	$ 3,309,250.00	$ 610,769.41

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $188,155.02 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certificated Personnel
In the amount of $123,603.14

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $21,879.88

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $42,672.00

NOTE 12: SPECIAL ITEMS

During the fiscal year 2011, the School District received $760,463.00 in insurance proceeds as reimbursement for damages incurred at the Rock Building due to a fire. At the time of the fire, the building was fully depreciated and no asset impairment loss occurred. These proceeds, along with the amount received in the prior year, have been used to repair and rebuild the Rock Building.

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011:

Project	Unearned Executed Contracts
Rock Building Renovations	$ 58,251.73

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

NOTE 14: 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.

NOTE 15: SUBSEQUENT EVENTS

On March 15, 2011, the voters of Murray County authorized the continuance of a one percent sales tax (SPLOST). The tax is to be used for retiring previously incurred general obligation debt and various capital outlay projects and includes the authorization of general obligation bonds. General Obligation Bonds were sold on September 12, 2011, in the amount of $1,200,000.00 and on April 19, 2012, bonds were sold in the amount of $1,000,000.00.

NOTE 16: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially

calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955%	of covered payroll for August - May Coverage
May 2011 - June 2011	1.429%	of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	$162.72	per member per month
January 2011 - May 2011	$218.20	per member per month
June 2011	$246.20	per member per month

The Department of Education was appropriated an additional $25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 6,241,236.54
2010	100%	$ 6,626,770.35
2009	100%	$ 3,967,034.16

NOTE 17: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers' Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 3,622,721.18
2010	100%	$ 3,716,484.45
2009	100%	$ 3,714,728.15

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

BOARD PAID 403(B) ANNUITY

The Murray County Board of Education has a supplemental retirement plan established under Internal Revenue Section 403(b).

The Board 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 Murray County Board of Education. 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 Board.

Lincoln Financial Group is the current vendor for the plan.

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 1,476,324.33
2010	100%	$ 1,224,226.00
2009	100%	$ 1,301,343.00

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MURRAY COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 12,679,942.00	$ 12,679,942.00	$ 13,425,740.61
Sales Taxes			42,274.74
State Funds	37,658,926.56	37,658,428.56	39,256,006.58
Federal Funds	9,670,643.84	9,670,393.84	10,099,026.93
Charges for Services	842,448.00	842,448.00	1,063,105.03
Investment Earnings	56,000.00	56,000.00	80,142.66
Miscellaneous	151,000.00	151,000.00	1,067,057.36
Total Revenues	$ 61,058,960.40	$ 61,058,212.40	$ 65,033,353.91
EXPENDITURES			
Current			
Instruction	$ 42,635,160.94	$ 43,137,101.44	$ 40,941,682.68
Support Services			
Pupil Services	1,846,305.70	1,694,078.70	1,913,416.74
Improvement of Instructional Services	660,535.48	1,790,467.14	1,740,507.37
Educational Media Services	1,090,405.43	1,094,041.43	1,113,979.15
General Administration	509,379.28	588,680.28	650,516.20
School Administration	3,018,411.00	2,989,588.00	3,534,046.82
Business Administration	339,697.89	339,697.89	322,147.38
Maintenance and Operation of Plant	5,349,868.00	5,349,868.00	4,192,996.87
Student Transportation Services	2,112,216.00	2,124,351.00	2,380,021.84
Central Support Services	1,216,226.00	1,216,226.00	1,075,933.63
Other Support Services	39,200.00	213,385.00	215,114.52
Food Services Operation	4,437,345.00	4,437,345.00	4,737,736.37
Debt Service			708,120.60
Total Expenditures	$ 63,254,750.72	$ 64,974,829.88	$ 63,526,220.17
Excess of Revenues over (under) Expenditures	$ -2,195,790.32	$ -3,916,617.48	$ 1,507,133.74
OTHER FINANCING USES			
Other Uses	-215,000.00	-215,000.00	-132,389.53
Net Change in Fund Balances	$ -2,410,790.32	$ -4,131,617.48	$ 1,374,744.21
Fund Balances - Beginning	6,079,299.66	6,079,299.66	6,054,554.46
Adjustments	-97,870.79	-25,367.74	
Fund Balances - Ending	$ 3,570,638.55	$ 1,922,314.44	$ 7,429,298.67

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

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

See notes to the basic financial statements.

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 4,568,984.23	(1)
Total Child Nutrition Cluster				$ 4,568,984.23	
Schools and Roads Cluster					
Pass-Through From Office of the State Treasurer					
Schools and Roads - Grants to States		10.665	N/A	(3)	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
Fresh Fruit and Vegetable Program		10.582	N/A	37,048.00	
Total U. S. Department of Agriculture				$ 4,606,032.23	
Education, U. S. Department of					
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Education for Homeless Children and Youth	*	84.387	N/A	$ 57,663.02	
Education for Homeless Children and Youth	*	84.196	N/A	55,307.04	
Total Education of Homeless Children and Youth Cluster				$ 112,970.06	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 11,486.61	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 867,206.31	
ARRA - Preschool Grants	*	84.392	N/A	30,587.22	
Grants to States	*	84.027	N/A	816,542.90	
Preschool Grants	*	84.173	N/A	41,854.94	
Total Special Education Cluster				$ 1,756,191.37	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 480,838.17	
Title I Grants to Local Educational Agencies	*	84.010	N/A	2,194,634.60	
Total Title I, Part A Cluster				$ 2,675,472.77	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 92,463.10	
Education Jobs Fund	*	84.410	N/A	1,471,416.00	
English Language Acquisition Grants		84.365	N/A	65,188.40	
Improving Teacher Quality State Grants		84.367	N/A	322,898.63	
Migrant Education - State Grant Program		84.011	N/A	7,587.83	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	3,408.27	
Total Other Programs				$ 1,962,962.23	
Total U. S. Department of Education				$ 6,519,083.04	

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			$ 4,403.51
Total Expenditures of Federal Awards			$ 11,129,518.78

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $273,313.55.
(2) Expenditures for the funds earned on the School Breakfast Program ($970,244.66) were not maintained separately and are included in the 2011 National School Lunch Program.
(3) Funds earned on this program, in the amount of $52,561.66, do not require reporting of expenditures.

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

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

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

See notes to the basic financial statements.

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 1,724,496.16		$ 1,724,496.16
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	2,926,102.00		2,926,102.00
Kindergarten Program - Early Intervention Program	138,447.00		138,447.00
Primary Grades (1-3) Program	6,458,009.79		6,458,009.79
Primary Grades - Early Intervention (1-3) Program	483,081.00		483,081.00
Upper Elementary Grades (4-5) Program	2,849,343.00		2,849,343.00
Upper Elementary Grades - Early Intervention (4-5) Program	436,304.00		436,304.00
Middle Grades (6-8) Program	38,141.00		38,141.00
Middle School (6-8) Program	4,912,098.00		4,912,098.00
High School General Education (9-12) Program	4,177,190.21		4,177,190.21
Vocational Laboratory (9-12) Program	1,398,647.00		1,398,647.00
Students with Disabilities	3,795,355.00		3,795,355.00
Gifted Student - Category VI	1,364,140.00		1,364,140.00
Remedial Education Program	494,102.00		494,102.00
Alternative Education Program	384,676.00		384,676.00
English Speakers of Other Languages (ESOL)	579,633.00		579,633.00
Media Center Program	860,549.00		860,549.00
20 Days Additional Instruction	265,035.00		265,035.00
Staff and Professional Development	155,014.00		155,014.00
Indirect Cost			
Central Administration	1,029,973.00		1,029,973.00
School Administration	1,720,855.00		1,720,855.00
Facility Maintenance and Operations	1,982,620.00		1,982,620.00
Categorical Grants			
Pupil Transportation			
Regular	673,717.00		673,717.00
Nursing Services	122,714.00		122,714.00
Mid-term Adjustment Hold-Harmless	152,251.00		152,251.00
Vocational Supervisors	14,635.00		14,635.00
Education Equalization Funding Grant	4,668,008.00		4,668,008.00
Food Services	132,316.00		132,316.00
Vocational Education	127,463.00		127,463.00
Amended Formula Adjustment	-5,643,107.00		-5,643,107.00
Other State Programs			
Dual Enrollment Funding	1,584.00		1,584.00
Health Insurance	123,603.14		123,603.14
Math and Science Supplements	21,669.41		21,669.41
Move On When Ready	200.00		200.00
Preschool Handicapped Program	10,358.82		10,358.82
State Bonds - Buses	228,876.00		228,876.00
Teachers' Retirement	21,879.88		21,879.88
Virtual Schools Grant	25.00		25.00
Vocational Construction Related Equipment - State Bonds	341,080.17		341,080.17
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		$ 984,905.90	984,905.90
Office of the State Treasurer			
Public School Employees Retirement	42,672.00		42,672.00
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	42,250.00		42,250.00
	$ 39,256,006.58	$ 984,905.90	$ 40,240,912.48

See notes to the basic financial statements.

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS
Purchase of computers and technology equipment for all schools in the School District.	$ 1,340,509.00	$ 2,083,962.36	$ 95,001.05	$ 1,988,961.31	Ongoing
Acquiring land for and constructing and equipping a new comprehensive high school, which may include middle school classrooms and facilities; a new roof and related facilities at Murray County High School; renovations and improvements to existing schools; new middle school classrooms, facilities, and renovations; renovations and improvements to the old rock school building on the Ninth Grade Academy Campus; system-wide renovations, improvements, and technology upgrades and equipment; and repaying principal of and interest on Murray County School District General Obligation Bonds, Series 2007.	40,000,000.00	45,808,864.11	7,105,452.86	38,703,411.25	Ongoing
	$ 41,340,509.00	$ 47,892,826.47	$ 7,200,453.91	$ 40,692,372.56	

(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 projects. 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	$ 4,054,521.78
Current Year	1,009,500.00
Total	$ 5,064,021.78

See notes to the basic financial statements.

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MURRAY COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 3,237,839.00	$ 3,009,383.43	$ 71,007.48	$ 3,080,390.91
Kindergarten Program-Early Intervention Program	184,410.00	184,165.17		184,165.17
Primary Grades (1-3) Program	6,878,873.00	6,924,626.82	51,911.21	6,976,538.03
Primary Grades-Early Intervention (1-3) Program	635,361.00	268,731.18	411.07	269,142.25
Upper Elementary Grades (4-5) Program	3,194,789.00	3,057,487.96	3,821.78	3,061,309.74
Upper Elementary Grades-Early Intervention (4-5) Program	562,697.00	367,294.17		367,294.17
Middle Grades (6-8) Program	42,780.00			
Middle School (6-8) Program	5,513,111.00	4,358,914.18	31,219.52	4,390,133.70
High School General Education (9-12) Program	4,341,010.00	5,344,350.04	100,213.41	5,444,563.45
Vocational Laboratory (9-12) Program	1,546,763.00	1,277,001.12	215,957.58	1,492,958.70
Students with Disabilities	4,230,742.00			
Category II		1,080,545.97		1,080,545.97
Category III		3,037,582.54	107,338.00	3,144,920.54
Category IV		325,871.79		325,871.79
Category V		74,670.38	42.84	74,713.22
Gifted Student - Category VI	1,500,451.00	676,615.01	5,050.83	681,665.84
Remedial Education Program	523,775.00	46,213.42		46,213.42
Alternative Education Program	430,603.00	335,704.88	1,892.51	337,597.39
English Speakers of Other Languages (ESOL)	659,574.00	483,191.92		483,191.92
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 33,482,778.00	$ 30,852,349.98	$ 588,866.23	$ 31,441,216.21
Media Center Program	966,304.00	998,382.96	6,090.00	1,004,472.96
Staff and Professional Development	174,327.00		2,750.47	2,750.47
TOTAL QBE FORMULA FUNDS	$ 34,623,409.00	$ 31,850,732.94	$ 597,706.70	$ 32,448,439.64

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

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 23, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Murray County Board of Education

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Murray County Board of Education's basic financial statements and have issued our report thereon dated July 23, 2012. 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.

Internal Control Over Financial Reporting

Management of Murray County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Murray County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Murray County Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider item FS-7051-11-01 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Murray County Board of Education in a separate letter dated July 23, 2012.

Murray County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Murray County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Murray County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 23, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Murray County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Murray County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Murray County Board of Education's management. Our responsibility is to express an opinion on Murray County Board of Education's compliance based on our audit.

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

In our opinion, the Murray County Board of Education complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Murray County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Murray County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, members of the Murray County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

MURRAY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.196, 84.387	Education for Homeless Children and Youth Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $333,885.56

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7051-11-01

Condition:
The accounting procedures of the School District were insufficient to provide adequate internal controls over school activity account receipts.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Questioned Cost:
N/A

Information:
Deposit preparation was not separated from the record keeping and bank reconciliation functions.
The following deficiencies were noted during our tests of transactions:

- Several receipts tested were not supported by adequate documentation.
- Instances were noted where receipts were collected in a manner that was not adequate to provide a proper audit trail.

Cause:
These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk that errors/irregularities or misstatements could occur in the financial statements due to errors or fraud and remain undetected.

Recommendation:
Management should review and revise internal controls to provide reasonable assurance that transactions are processed according to established procedures and implement any necessary procedures to ensure the proper recording and documentation of school activity account receipts is maintained. In addition, monitoring procedures should be implemented to provide reasonable assurance that transactions are being processed according to established policies and procedures.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

MURRAY COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-7051-11-01

We concur with this finding. We will conduct additional training to insure all school level personnel are aware of our control procedures and maintain an adequate separation of duties with the existing staff. We will monitor activities during the year to ensure our designed controls are being implemented at the school level. In addition, we will purchase any necessary equipment needed to assist in adequate documentation of receipts.

Contact Person: Steve Loughridge, Director of Finance
Telephone: 706-695-4531
Fax: 706-695-8425
Email: steve.loughridge@murray.k12.ga.us