

MURRAY COMMUNITY SCHOOL DISTRICT
MURRAY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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MURRAY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Dennis Jeter	President	2005
Mike Eckels	Vice President	2003
Cheryl Loy	Board Member	2003
Mary James	Board Member	2004
Melanie Halls	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Dennis Jeter	President	2005
Mike Eckels	Vice President	2006
Mary James	Board Member	2004
Melanie Halls	Board Member	2005
Cheryl Loy	Board Member	2006
<u>School Officials</u>		
Dennis Bishop	Superintendent	2007
Elizabeth Justice	District Secretary	2004
Betty Jackson	District Treasurer	2004
Robert Reynoldson	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Murray Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Murray Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Murray Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Murray Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated August 6, 2004 on our consideration of Murray Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 17 and 50 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Murray Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 6, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Murray Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2004. Please read it in conjunction with the district's financial statements.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

Financial Highlights

- The district received a 2.5% across the board reduction in aid due to less than anticipated state revenue. A portion of this reduction (.25%) was restored prior to the close of the district's fiscal year.
- General Fund revenues decreased from \$2,473,732 in fiscal 2003 to \$2,441,752 in fiscal 2004, while General Fund expenditures increased from \$2,435,313 in fiscal 2003 to \$2,624,331 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$1,364,650 in fiscal 2003 to \$1,184,268 in fiscal 2004, a 13.2% decrease from fiscal year 2003.
- The District's 2004 open enrollment income of \$149,695 was \$22,028 greater than 2003. The District's 2004 open enrollment expenditures were \$59,241, or \$9,035 less than fiscal year 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: Management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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 with a comparison of the District’s budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

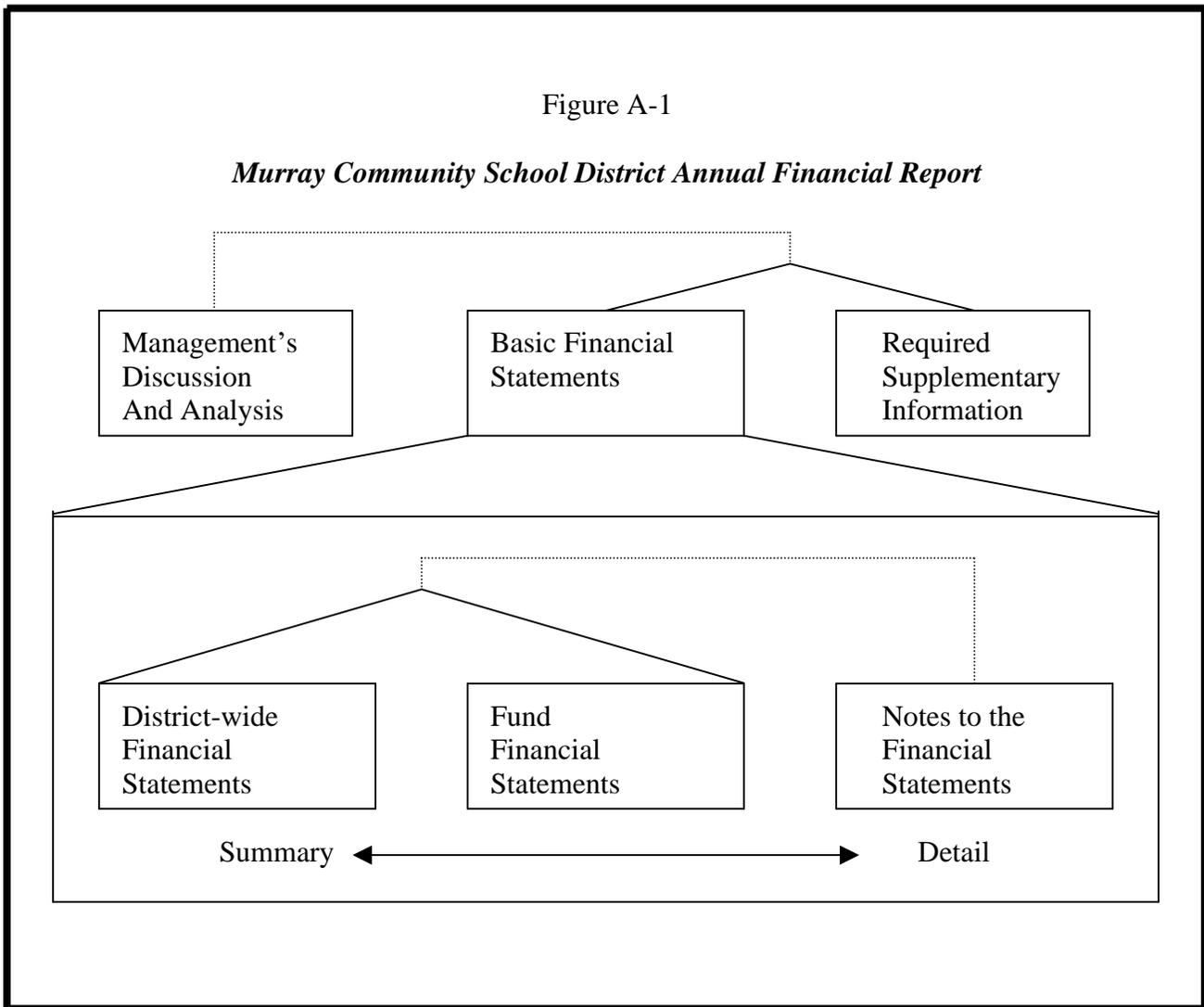


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash Flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-section companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District use to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal funds.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District school for specific purposes in this fund. The 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 District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net assets. Since this is the first year of implementation there is no comparison data. The District's combined net assets were as follows:

Figure A-3
Statement of Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total School District 2004
Assets:			
Current and other Assets	\$2,388,370	\$74,655	\$2,463,025
Capital assets	<u>\$1,737,326</u>	<u>\$13,751</u>	<u>\$1,751,077</u>
Total assets	\$4,125,696	\$88,406	\$4,214,102
Long-term obligations	\$ 672,550	\$ 0	\$ 672,550
Other obligations	<u>\$ 990,505</u>	<u>\$10,385</u>	<u>\$1,000,890</u>
Total liabilities	\$1,663,055	\$10,385	\$1,673,440
Net assets			
Invested in capital assets net of related debt	\$1,072,326	\$13,751	\$1,086,077
Restricted	122,723	\$ 0	\$ 122,723
Unrestricted	<u>\$1,267,592</u>	<u>\$64,270</u>	<u>\$1,331,862</u>
Total net assets	<u>\$2,462,641</u>	<u>\$78,021</u>	<u>\$2,540,662</u>

The largest portion of the District's net assets reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (general obligation bonds payable). The District uses these capital assets to provide services to students. However, they are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4

Changes in Net Assets

	Governmental Activities	Business-type Activities	Total School District
Revenues:			
Program revenues:			
Charges for service & sales	\$ 346,256	\$ 68,452	\$ 414,708
Operating grants, contributions, and restricted interest	\$ 374,406	\$ 79,954	\$ 454,360
Capital grants, contributions and restricted interest	\$ 26,109	\$ 0	\$ 26,109
General revenues:			
Property tax	\$ 576,408	\$ 0	\$ 576,408
Debt Service	\$ 93,825	\$ 0	\$ 93,825
Capital outlay	\$ 37,178	\$ 0	\$ 37,178
Local Option Sales and Services tax	\$ 2,697	\$ 0	\$ 2,697
Income surtax	\$ 97,448	\$ 0	\$ 97,448
Unrestricted state grants	\$1,128,194	\$ 0	\$1,128,194
Unrestricted interest earnings	\$ 25,753	\$ 352	\$ 26,105
Other	\$ 28,609	\$ 247	\$ 28,856
Total revenues	\$2,736,883	\$149,005	\$2,885,888
Program expenses:			
Governmental activities:			
Instruction	\$1,704,870	\$ 0	\$1,704,870
Support services	\$ 903,559	\$ 0	\$ 903,559
Non-instructional programs	\$ 3,390	\$139,955	\$ 143,345
Other expenses	\$ 208,759	\$ 0	\$ 208,759
	\$2,820,578	\$139,955	\$2,960,533
Change in net assets	(\$ 83,695)	\$ 9,050	(\$ 74,645)

Property tax and unrestricted state grants account for over 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,736,883 and expenses were \$2,820,578.

Figure A-5 presents the total and net cost of the District's major governmental activities:

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$1,704,870	\$1,075,731
Support Services	\$ 903,593	\$ 903,559
Non-instructional programs	\$ 3,390	\$ 3,390
Other expenses	<u>\$ 208,759</u>	<u>\$ 91,127</u>
Totals	\$2,820,578	\$2,073,807

- The cost financed by users of the District's programs was \$346,256.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$374,406.
- Capital grants totaled \$26,109.
- The net cost of governmental activities was financed with \$807,556 in property and other taxes, \$1,128,194 in state foundation aid, \$25,753 in interest income, and \$28,609 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$149,005 and expenses were \$139,955. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Murray Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended the 2004 year, its governmental funds reported combined fund balances of \$1,316,435.

Governmental Fund Highlights

- The General Fund balance decreased from to \$1,364,650 in 2003 to \$1,184,268 in 2004, due in part to purchase of a school bus and minivan, textbook purchases, custodial cleaning equipment purchases and increased fuel costs.
- The District converted a portion of the vocational agriculture shop area into a classroom/meeting room.

Proprietary Fund Highlights

- The unrestricted net assets are \$78,021 in the School Nutrition fund. The District's operating balance exceeds three months' normal operating costs. The District will upgrade and purchase needed equipment to reduce the balance to the recommended level.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 50.

Legal Budgetary Highlights

The District's total actual receipts were \$129,773 less than total budgeted receipts, a variance of 5%. This decrease was attributed to a decrease in anticipated interest income and a reduction in state foundation aid.

Total expenditures were less than budgeted. It is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the District had invested \$1,751,077, net of accumulated depreciation of \$1,386,561, in a broad range of capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$104,035.

The District implemented new capitalization levels of \$1500 for all governmental funds assets. Business-type activities retained the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition. Due to the change in the capitalization level for governmental fund assets, beginning balances of assets were restated to reflect this change.

Significant capital assets activities include the purchase of a school bus and minivan, renovation of a portion of the shop area into an after-school classroom, baseball field lights and fence installation.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 38,000	\$0	\$ 38,000
Buildings	\$1,501,360	\$0	\$1,501,360
Improvements, other than buildings	\$ 48,495	\$0	\$ 48,495
Furniture and equipment	<u>\$ 149,471</u>	<u>\$13,751</u>	<u>\$ 163,222</u>
Total	<u>\$1,737,326</u>	<u>\$13,751</u>	<u>\$1,751,077</u>

Long-Term Debt

At June 30, 2004, the District had long-term liabilities totaling \$672,550 of which \$7,550 was for early retirement benefits, and \$665,000 was for general-obligation bonds. More detailed information is available in Note 5 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- Clarke and Decatur counties passed the School Infrastructure Local Option Sales tax which will generate approximately \$105,000 in revenues per year for the next 10 years. The District has committed \$50,000 per year to be allocated to payment of general-obligation bonds resulting in a reduction in the property tax levy for debt services, and the balance will be designated for capital improvements.
- This is the District's fifth year of declining enrollment, from 358.4 students in 1998-99 to 310.2 students in 2003-04.
- The District continues to experience high increases in health insurance premium costs. The District will continue to investigate ways to stabilize or reduce high premium increases.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Justice, District Secretary/Business Manager, Murray Community School District, PO Box 187, Murray, Iowa 50174.

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Basic Financial Statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2004

	<u>General</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 102,326	\$ 13,751	\$ 116,077
Restricted for:			
Management	3,075	-	3,075
Physical plant and equipment	18,557	-	18,557
For special revenue purposes	4,501	-	4,501
Debt service	2,300	-	2,300
Unrestricted	<u>127,592</u>	<u>6,420</u>	<u>134,012</u>
Total net assets	<u><u>\$ 242,641</u></u>	<u><u>\$ 78,021</u></u>	<u><u>\$ 320,662</u></u>

See notes to financial statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,067,592	\$ 226,460	\$ 208,378	\$ -
Special instruction	293,947	11,235	74,505	-
Other instruction	343,331	108,561	-	-
	<u>1,704,870</u>	<u>346,256</u>	<u>282,883</u>	<u>-</u>
Support services:				
Student services	79,258	-	-	-
Instructional staff services	78,142	-	-	-
Administration services	327,026	-	-	-
Operation and maintenance of plant services	273,939	-	-	-
Transportation services	145,194	-	-	-
	<u>903,559</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs	3,390	-	-	-
Other expenditures:				
Facilities acquisition	757	-	-	26,109
Long-term debt interest and fiscal charges	58,110	-	-	-
AEA flow through	91,523	-	91,523	-
Depreciation (unallocated) *	58,369	-	-	-
	<u>208,759</u>	<u>-</u>	<u>91,523</u>	<u>26,109</u>
Total governmental activities	2,820,578	346,256	374,406	26,109
Business-Type Activities:				
Non-instructional programs:				
Food service operations	139,955	68,452	79,954	-
Total	\$ 2,960,533	\$ 414,708	\$ 454,360	\$ 26,109

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net (Expense) Revenue
and Changes in Net Assets

G o v e r n m e n t a l A c t i v i t i e s	B u s i n e s s - T y p e A c t i v i t i e s	T o t a l
\$ (6 3 2 , 7 5 4)	\$ -	\$ (6 3 2 , 7 5 4)
(2 0 8 , 2 0 7)	-	(2 0 8 , 2 0 7)
(2 3 4 , 7 7 0)	-	(2 3 4 , 7 7 0)
<u>(1 , 0 7 5 , 7 3 1)</u>	<u>-</u>	<u>(1 , 0 7 5 , 7 3 1)</u>
(7 9 , 2 5 8)	-	(7 9 , 2 5 8)
(7 8 , 1 4 2)	-	(7 8 , 1 4 2)
(3 2 7 , 0 2 6)	-	(3 2 7 , 0 2 6)
(2 7 3 , 9 3 9)	-	(2 7 3 , 9 3 9)
(1 4 5 , 1 9 4)	-	(1 4 5 , 1 9 4)
<u>(9 0 3 , 5 5 9)</u>	<u>-</u>	<u>(9 0 3 , 5 5 9)</u>
<u>(3 , 3 9 0)</u>	<u>-</u>	<u>(3 , 3 9 0)</u>
2 5 , 3 5 2	-	2 5 , 3 5 2
(5 8 , 1 1 0)	-	(5 8 , 1 1 0)
-	-	-
(5 8 , 3 6 9)	-	(5 8 , 3 6 9)
<u>(9 1 , 1 2 7)</u>	<u>-</u>	<u>(9 1 , 1 2 7)</u>
(2 , 0 7 3 , 8 0 7)	-	(2 , 0 7 3 , 8 0 7)
-	8 , 4 5 1	8 , 4 5 1
<u>(2 , 0 7 3 , 8 0 7)</u>	<u>8 , 4 5 1</u>	<u>(2 , 0 6 5 , 3 5 6)</u>

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

* This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net (Expense) Revenue
and Changes in Net Assets

G o v e r n m e n t a l A c t i v i t i e s	B u s i n e s s - T y p e A c t i v i t i e s	T o t a l
\$ 576,408	\$ -	\$ 576,408
93,825	-	93,825
37,178	-	37,178
2,697	-	2,697
97,448	-	97,448
1,128,194	-	1,128,194
25,753	352	26,105
28,609	247	28,856
<u>1,990,112</u>	<u>599</u>	<u>1,990,711</u>
(83,695)	9,050	(74,645)
<u>2,546,336</u>	<u>68,971</u>	<u>2,615,307</u>
\$ <u><u>2,462,641</u></u>	\$ <u><u>78,021</u></u>	\$ <u><u>2,540,662</u></u>

	<u>General</u>	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and pooled investments	\$ 1,422,952	\$ 132,954	\$ 1,555,906
Receivables:			
Property tax:			
Current year	10,691	2,431	13,122
Succeeding year	553,000	78,000	631,000
Income surtax	86,000	-	86,000
Due from other governments	101,164	-	101,164
Prepaid expenses	1,178	-	1,178
	<u>\$ 2,174,985</u>	<u>\$ 213,385</u>	<u>\$ 2,388,370</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 107,802	\$ 2,927	\$ 110,729
Salaries and benefits payable	243,915	291	244,206
Deferred revenue:			
Succeeding year property tax	553,000	78,000	631,000
Other	86,000	-	86,000
Total liabilities	<u>990,717</u>	<u>81,218</u>	<u>1,071,935</u>
Fund balance:			
Reserved for:			
Debt service	-	23,070	23,070
Unreserved:			
Designated for cash flows	360,000	-	360,000
Reported in nonmajor Special Revenue Funds	-	107,203	107,203
Undesignated	824,268	1,894	826,162
Total fund balances	<u>1,184,268</u>	<u>132,167</u>	<u>1,316,435</u>
Total liabilities and fund balances	<u>\$ 2,174,985</u>	<u>\$ 213,385</u>	<u>\$ 2,388,370</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

Total fund balances of governmental funds	\$ 1,316,435
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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 as assets in the governmental funds.	1,737,326
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	86,000
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,570)
--	---------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(672,550)</u>
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Net assets of governmental activities	<u><u>\$ 2,462,641</u></u>
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See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 662,483	\$ 133,615	\$ 796,098
Tuition	160,955	-	160,955
Other	115,970	125,650	241,620
Intermediate sources	8,594	-	8,594
State sources	1,377,073	85	1,377,158
Federal sources	116,677	22,584	139,261
Total revenues	2,441,752	281,934	2,723,686
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,076,005	686	1,076,691
Special instruction	293,947	-	293,947
Other instruction	234,119	109,212	343,331
	<u>1,604,071</u>	<u>109,898</u>	<u>1,713,969</u>
Support services:			
Student services	79,258	-	79,258
Instructional staff services	78,142	-	78,142
Administration services	318,841	1,054	319,895
Operation and maintenance of plant services	260,527	22,560	283,087
Transportation services	188,579	-	188,579
	<u>925,347</u>	<u>23,614</u>	<u>948,961</u>
Non-instructional programs	<u>3,390</u>	<u>-</u>	<u>3,390</u>
Other expenditures:			
Facilities acquisition	-	64,603	64,603
Long term debt:			
Principal	-	55,000	55,000
Interest and fiscal charges	-	58,358	58,358
AEA flow through	91,523	-	91,523
	<u>91,523</u>	<u>177,961</u>	<u>269,484</u>
Total expenditures	2,624,331	311,473	2,935,804
Excess (deficiency) of revenues over (under) expenditures	(182,579)	(29,539)	(212,118)

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Major		Total
	General	Funds	
Change in sources (uses):			
Sale of equipment	\$ 217	-\$	217
Increase in	-	428	428
Increase in	-	(428)	(428)
Refund of grant disbursements	-	(60,000)	(60,000)
Total change in sources (uses)	217	(60,000)	(62,883)
Net change in fund balances	(18,332)	(69,539)	(87,871)
Fund balances beginning of year	136,650	79,766	216,416
Fund balances end of year	\$ 118,318	\$ 10,227	\$ 128,545
See notes to financial statements			

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

Net change in fund balances - total governmental funds		\$ (839,921)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
	Capital outlays	\$ 162,765
	Depreciation expense	<u>(102,438)</u>
		60,327
Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities.		
		11,000
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.		
		685,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		248
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		<u>(349)</u>
Change in net assets of governmental activities		\$ <u>(83,695)</u>
See notes to financial statements.		

MURRAY COMMUNITY SCHOOL DISTRICT

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

Year Ended June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 70,587
Inventories	4,068
Capital assets, net of accumulated depreciation	13,751
Total assets	<u>88,406</u>
Liabilities	
Accounts payable	2,228
Salaries and benefits payable	6,694
Deferred revenue	1,463
Total liabilities	<u>10,385</u>
Net Assets	
Invested in capital assets, net of related debt	13,751
Unrestricted	<u>64,270</u>
Total net assets	<u>\$ 78,021</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>68,698</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	49,981
Benefits	7,904
Purchased services	14,937
Supplies	65,536
Depreciation	<u>1,597</u>
	<u>139,955</u>
Operating loss	<u>(71,257)</u>
Non-operating revenues:	
Interest on investments	352
State sources	2,187
Federal sources	<u>77,768</u>
Total non-operating revenues	<u>80,307</u>
Change in net assets	9,050
Net assets beginning of year	<u>68,971</u>
Net assets end of year	\$ <u><u>78,021</u></u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 68,243
Cash received from miscellaneous operating activities	247
Cash payments to employees for services	(57,781)
Cash payments to suppliers for goods or services	(74,373)
Net cash used in operating activities	<u>(63,664)</u>
Cash flows from non-capital financing activities:	
State grants received	2,187
Federal grants received	70,821
Net cash provided by non-capital financing activities	<u>73,008</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,347)</u>
Cash flows from investing activities:	
Interest on investments	<u>352</u>
Net increase in cash and cash equivalents	3,349
Cash and cash equivalents beginning of year	<u>67,238</u>
Cash and cash equivalents end of year	<u>\$ 70,587</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (71,257)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,597
Commodities used	6,947
Decrease in inventories	1,827
(Decrease) in accounts payable	(2,674)
Increase in salaries and benefits payable	104
(Decrease) in deferred revenues	<u>(208)</u>
Net cash used in operating activities	<u>\$ (63,664)</u>

Non-cash investing, capital and financing activities:
During the year ended June 30, 2004, the District received \$6,947 of federal commodities.

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2004

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Book Club</u>	
	<u>Scholarships</u>	<u>Agency</u>
Assets		
Cash and investments	\$ 1,406	\$ 11,527
	<u> </u>	<u> </u>
Liabilities		
Liabilities		
Accounts payable	77	-
Back contributions payable	-	11,527
	<u> </u>	<u> </u>
Total liabilities	<u>77</u>	<u>11,527</u>
Net assets		
Reserve for scholarships	\$ 1,329	
	<u> </u>	
Summary of financial statements		

MURRAY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2004

	<u>Private Purpose Trust</u> <u>Book Club and Scholarships</u>
Additions:	
Local sources:	
Book sales	\$ 6,547
Gifts and contributions	2,860
Interest	24
Total additions	<u>9,431</u>
Deductions:	
Regular instruction:	
Supplies	10,824
Scholarships awarded	500
	<u>11,324</u>
Change in net assets	(1,893)
Net assets beginning of year, as restated (note 9)	15,761
Unrealized gain on investments	61
Net assets end of year	<u>\$ 13,929</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2004

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,500

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Murray Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Murray, Iowa, and agricultural territory in Clarke, Union, and Decatur Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Murray Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Murray Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clarke County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards and other non-District activities.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 4,288</u>

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned School Nutrition meal revenues.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited number of earned but unused vacation and sick leave. The District’s policy is not to reimburse employees for sick leave or vacation.

Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the four functional areas.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Fixed assets				
Fixed capital	\$ 364	\$ 637	-\$ 391	\$ 391
Less accumulated depreciation	263	157	-	520
	<u>\$ 901</u>	<u>\$ 470</u>	<u>-\$ 135</u>	<u>\$ 135</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

* = The District initiated new capitalization levels of \$1,500 for all assets. The capital asset listing was updated to reflect this change in preparation for implementation of Governmental Accounting Standards Board Statement number 34 for the year ended June 30, 2004. The beginning balances of assets have been restated to reflect this change. The balance of buildings was reduced by \$151,416 of items previously capitalized but now below the capitalization level; reduced by \$265,803 to reflect a more accurate historical cost; and reduced by \$23,263 reclassified as land improvements. The beginning balance of land improvements was increased by \$23,263 for items previous recorded as building improvements but more properly classified as land improvements. The beginning balance of equipment was reduced by \$594,142 of items costing less than the capitalization level of \$1,500.

Governmental activities:

Instruction:		
Regular		\$ 7,164
Support services:		
Administration		7,131
Operation and maintenance of plant services		3,302
Transportation		26,472
		<u>44,069</u>
Unallocated depreciation		<u>58,369</u>
Total governmental activities depreciation expense		<u>\$ 102,438</u>

Business-type activities:

Food service operations		\$ <u>1,597</u>
-------------------------	--	-----------------

Depreciation expense was charged by the District to the following functions:

	Early Retirement	General Obligation Bonds	Total
Balance beginning of year	\$ 7,201	\$ 1,350,000	\$ 1,357,201
Additions	1,299	-	1,299
Reductions	950	685,000	685,950
		<u>685,000</u>	<u>685,950</u>
Balance end of year	<u>\$ 7,550</u>	<u>\$ 665,000</u>	<u>\$ 672,550</u>
Due within one year	<u>\$ 1,408</u>	<u>\$ 70,000</u>	<u>\$ 71,408</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

Year Ending June 30,	Issue dated March 1, 2003		
	Principal	Interest	Total
2005	\$ 70,000	\$ 18,965	\$ 88,965
2006	70,000	17,775	87,775
2007	75,000	16,305	91,305
2008	75,000	14,505	89,505
2009	75,000	12,480	87,480
2010	80,000	10,230	90,230
2011	80,000	7,670	87,670
2012	80,000	4,990	84,990
2013	60,000	2,190	62,190
	\$ <u>665,000</u>	\$ <u>105,110</u>	\$ <u>770,110</u>

Early Retirement

The District offers a voluntary early retirement plan to all District employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service, with the last five years consecutive to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's unused accumulated sick leave days times the employee's daily wage rate subject to a maximum based on the applicable salary schedule. The incentive is to be paid in monthly installments through the month preceding the employee's 65th birthday. Early retirement benefits paid during the year ended June 30, 2004, totaled \$950. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Face amount of bonds payable	\$ 118
Allowance for debt service	38
Net amount of bonds payable	\$ 57

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$84,174, \$84,000, and \$83,386, respectively, equal to the required contributions for each year.

Note 7. Risk Management

Murray Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

MURRAY COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

Note 7. Risk Management (continued)

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$192,791.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Murray Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,523 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Restatement of Fiduciary Balance

The District excluded investments totaling \$3,934 from the prior year expendable trust fund, now reported as the District's private purpose trust fund. The effects of this restatement are as follows:

	Fund		Total
	General	Nonmajor	
Net assets, June 30, 2003 for governmental funds	\$ 1,364,650	\$ 791,206	\$ 2,156,356
G A S B 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,339,547			1,676,999
Long-term liabilities:			
Bonds and notes		(1,350,000)	
Early retirement		(7,201)	(1,357,201)
Accrued interest payable			(4,818)
Deferred revenue			75,000
Net assets, July 1, 2003, as restated			\$ 2,546,336

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The District-wide financial statements separate the District’s programs between business-type and governmental activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Governmental		Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Proprietary Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 1,198,673	\$ 69,050	\$ 1,267,723	\$ 1,315,039	\$ 1,315,039	\$ (47,316)
Intermediate sources	8,594	-	8,594	-	-	8,594
State sources	1,377,158	2,187	1,379,345	1,461,425	1,461,425	(82,080)
Federal sources	139,261	77,768	217,029	226,000	226,000	(8,971)
Total revenues	2,723,686	149,005	2,872,691	3,002,464	3,002,464	(129,773)
EXPENDITURES/EXPENSES:						
Instruction	1,713,969	-	1,713,969	2,821,690	2,821,690	1,107,721
Support services	948,961	-	948,961	1,058,501	1,058,501	109,540
Non-instructional programs	3,390	139,955	143,345	270,297	270,297	126,952
Other expenditures	269,484	-	269,484	211,022	876,022	606,538
Total expenditures/expenses	2,935,804	139,955	3,075,759	4,361,510	5,026,510	1,950,751
Excess (deficiency) of revenues over (under) expenditures/expenses	(212,118)	9,050	(203,068)	(1,359,046)	(2,024,046)	1,820,978
Other financing uses, net	(627,803)	-	(627,803)	-	-	(627,803)
Excess (deficiency) of revenues over (under) expenditures/expenses and other financing uses	(839,921)	9,050	(830,871)	(1,359,046)	(2,024,046)	1,193,175
Balance beginning of year	2,156,356	68,971	2,225,327	1,539,991	1,539,991	685,336
Balance end of year	\$ 1,316,435	\$ 78,021	\$ 1,394,456	\$ 180,945	\$ (484,055)	\$ 1,878,511

See accompanying independent auditor's report.

Required Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2004

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Assets				
Cash and pooled investments	\$ 43,941	\$ 46,553	\$ 19,237	\$ 21,329
Receivables:				
Property tax:				
Current year	370	-	320	1,741
Succeeding year	-	-	15,000	63,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 44,311</u>	<u>\$ 46,553</u>	<u>\$ 34,557</u>	<u>\$ 86,070</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	686	1,241	1,000	-
Salaries and benefits payable	-	291	-	-
Deferred revenue:				
Succeeding year property tax	-	-	15,000	63,000
Total liabilities	<u>686</u>	<u>1,532</u>	<u>16,000</u>	<u>63,000</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	23,070
Unreserved:				
Undesignated	43,625	45,021	18,557	-
Total fund equity	<u>43,625</u>	<u>45,021</u>	<u>18,557</u>	<u>23,070</u>
Total liabilities and fund equity	<u>\$ 44,311</u>	<u>\$ 46,553</u>	<u>\$ 34,557</u>	<u>\$ 86,070</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on an accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$665,000.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the four functional areas.

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Other Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

C a p i t a l P r o j e c t s		T o t a l	
<hr/>		<hr/>	
\$	1 , 8 9 4	\$	1 3 2 , 9 5 4
	-		2 , 4 3 1
	-		7 8 , 0 0 0
<hr/>		<hr/>	
\$	<u>1 , 8 9 4</u>	\$	<u>2 1 3 , 3 8 5</u>
	-		2 , 9 2 7
	-		2 9 1
	-		7 8 , 0 0 0
	-		8 1 , 2 1 8
<hr/>		<hr/>	
	-		2 3 , 0 7 0
	1 , 8 9 4		1 0 9 , 0 9 7
	<u>1 , 8 9 4</u>		<u>1 3 2 , 1 6 7</u>
<hr/>		<hr/>	
\$	<u>1 , 8 9 4</u>	\$	<u>2 1 3 , 3 8 5</u>

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 19,919	\$ -	\$ 17,235	\$ 93,76
Other	324	109,136	3,918	12,24
State sources	13	-	11	61
Federal sources	-	-	22,584	-
Total revenues	<u>20,256</u>	<u>109,136</u>	<u>43,748</u>	<u>106,06</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	686	-	-	-
Other instruction	-	109,212	-	-
Support services:				
Administration services	1,054	-	-	-
Operation and maintenance of plant services	18,168	-	4,392	-
Other expenditures:				
Facilities acquisition	-	-	64,603	-
Long term debt:				
Principal	-	-	-	55,000
Interest and fiscal charges	-	-	-	58,35
Total expenditures	<u>19,908</u>	<u>109,212</u>	<u>68,995</u>	<u>113,35</u>
Excess (deficiency) of revenues over (under) expenditures	348	(76)	(25,247)	(7,291)
Other financing sources (uses)				
Refunding of general obligation bonds	-	-	-	(630,000)
Interfund transfers in	-	-	-	4,28
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,712)</u>

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	C a p i t a l P r o j e c t s		T o t a l
\$	2 , 6 9 7	\$	1 3 3 , 6 1 5
	3 0		1 2 5 , 6 5 0
	-		8 5
	-		2 2 , 5 8 4
	<u>2 , 7 2 7</u>		<u>2 8 1 , 9 3 4</u>
	-		6 8 6
	-		1 0 9 , 2 1 2
	-		1 , 0 5 4
	-		2 2 , 5 6 0
	-		6 4 , 6 0 3
	-		5 5 , 0 0 0
	-		5 8 , 3 5 8
	-		<u>3 1 1 , 4 7 3</u>
	2 , 7 2 7		(2 9 , 5 3 9)
	-		(6 3 0 , 0 0 0)
	-		4 , 2 8 8
	(4 , 2 8 8)		(4 , 2 8 8)
	<u>(4 , 2 8 8)</u>		<u>(6 3 0 , 0 0 0)</u>

100
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100

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

C a p i t a l P r o j e c t s	T o t a l
\$ (1 , 5 6 1)	\$ (6 5 9 , 5 3 9)
3 , 4 5 5	7 9 1 , 7 0 6
\$ <u>1 , 8 9 4</u>	\$ <u>1 3 2 , 1 6 7</u>

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Mentor Groups	\$ 369	\$ 23	\$ 118	\$ 274
Elementary Student Council	1,223	887	1,147	963
Athletics	34	5,585	5,258	361
Book Club	12	-	12	-
Class of:				
1998	219	-	219	-
2002	54	-	54	-
2004	3,274	3,842	7,116	-
2005	810	14,357	11,956	3,211
2006	738	-	-	738
2007	552	121	7	666
2008	259	374	69	564
2009	-	82	-	82
Physics Club	2	-	-	2
Stocking Cap/Soup Sales Fundraiser	845	5,185	4,293	1,737
FFA	(991)	11,047	8,819	1,837
FFA Skills Kit Fund	1,835	1,472	3,781	(474)
FHA	340	5,076	4,070	1,346
Book Fair	818	-	-	818
Miscellaneous Athletics	510	(3)	63	444
Student Council	828	1,799	1,831	796
Cheerleaders	148	638	383	403
Drama	827	1,484	1,117	1,194
Picture Fund	5,313	342	3,000	2,655
French Club	1,827	3,188	3,277	1,738
Student Council Pop	2,538	3,788	4,764	1,562
Supplies	146	143	289	-
Graduation Resale	(193)	-	(329)	136
Baseball/Softball	(1,682)	6,548	7,018	(2,152)
Basketball	6,684	8,356	9,427	5,613
Football	(1,600)	6,990	5,626	(236)
Track	(417)	-	185	(602)
Volleyball	-	1,636	1,636	-
Interest	1,742	576	2,199	119
Yearbook	2,977	6,922	9,334	865
National Honor Society	(176)	152	97	(121)
TAG Club	-	118	-	118
FHLA	-	210	152	58
Visual Music - Trips	4,821	5,999	7,522	3,298
Swim Fund	1,291	1,019	216	2,094

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenses	Balance End of Year
Church Activity Fund	\$ 59	404	348	(85)
School Councils	95	389	130	122
School Food Fund	141	-	(45)	189
Cafeteria	(10)	-	10	(20)
Book Depositories	2	8	10	-
Excess	(29)	-	(29)	-
Ball Team Fund	74	128	51	121
Restroom Fund	19	199	148	65
Total	\$ 497	\$ 1,036	\$ 1,022	\$ 471

See accompanying notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash - Black Consortium	\$ 25,725	\$ -	\$ 14,198	\$ 11,527
Liabilities				
Black Consortium payable	\$ 25,725	\$ -	\$ 14,198	\$ 11,527

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2004

	M o d i f i e d A c c r u a l B a s i s			
	Y e a r s E n d e d J u n e 3 0 ,			
	2 0 0 4	2 0 0 3	2 0 0 2	2 0 0 1
R e v e n u e s :				
L o c a l s o u r c e s :				
Local tax	\$ 796,098	\$ 791,528	\$ 771,579	\$ 740,268
Tuition	160,955	154,327	154,844	146,065
Other	241,620	234,676	230,340	276,362
Intermediate sources	8,594	9,404	20,434	5,563
State sources	1,377,158	1,428,350	1,452,957	1,482,280
Federal sources	139,261	119,818	99,408	59,308
T o t a l r e v e n u e s	\$ 2,723,686	\$ 2,738,103	\$ 2,729,562	\$ 2,709,846
E x p e n d i t u r e s :				
I n s t r u c t i o n :				
Regular instruction	\$ 1,076,691	\$ 966,814	\$ 1,013,798	\$ 927,224
Special instruction	293,947	331,061	311,894	279,957
Other instruction	343,331	342,427	302,272	303,670
S u p p o r t s e r v i c e s :				
Student services	79,258	73,426	75,350	74,473
Instructional staff services	78,142	98,400	99,365	102,216
Administration services	319,895	296,605	303,481	284,899
Operation and maintenance of plant services	283,087	247,808	192,266	227,597
Transportation services	188,579	114,926	150,875	112,456
N o n - i n s t r u c t i o n a l p r o g r a m s	3,390	2,878	1,403	4,993
O t h e r e x p e n d i t u r e s :				
Facilities acquisition	64,603	-	16,728	10,364
Long-term debt:				
Principal	55,000	60,000	44,935	55,000
Interest and fiscal charges	58,358	47,126	50,150	48,055
A E A flow through	91,523	98,289	98,336	103,155
T o t a l e x p e n d i t u r e s	\$ 2,935,804	\$ 2,679,760	\$ 2,660,853	\$ 2,534,059

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 796,098	\$ 791,528	\$ 771,579	\$ 740,268
Tuition	160,955	154,327	154,844	146,065
Other	241,620	234,676	230,340	276,362
Intermediate sources	8,594	9,404	20,434	5,563
State sources	1,377,158	1,428,350	1,452,957	1,482,280
Federal sources	139,261	119,818	99,408	59,308
	<u>\$ 2,723,686</u>	<u>\$ 2,738,103</u>	<u>\$ 2,729,562</u>	<u>\$ 2,709,846</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,076,691	\$ 966,814	\$ 1,013,798	\$ 927,224
Special instruction	293,947	331,061	311,894	279,957
Other instruction	343,331	342,427	302,272	303,670
Support services:				
Student services	79,258	73,426	75,350	74,473
Instructional staff services	78,142	98,400	99,365	102,216
Administration services	319,895	296,605	303,481	284,899
Operation and maintenance of plant services	283,087	247,808	192,266	227,597
Transportation services	188,579	114,926	150,875	112,456
Non-instructional programs	3,390	2,878	1,403	4,993
Other expenditures:				
Facilities acquisition	64,603	-	16,728	10,364
Long-term debt:				
Principal	55,000	60,000	44,935	55,000
Interest and fiscal charges	58,358	47,126	50,150	48,055
AEA flowthrough	91,523	98,289	98,336	103,155
	<u>\$ 2,935,804</u>	<u>\$ 2,679,760</u>	<u>\$ 2,660,853</u>	<u>\$ 2,534,059</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Murray Community School District:

We have audited the financial statements of Murray Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Murray Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Murray Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Murray Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04 and I-D-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Murray Community School District and other parties to whom Murray Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Murray Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 6, 2004

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person for the General, Special Revenue Funds, Physical Plant and Equipment Levy and Management Levy, Capital Projects and Debt Service Funds. The cash receipts listing and posting of the cash receipts to the cash receipts journal are done by the same person for the Special Revenue, Student Activity Fund and School Nutrition Fund.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Football and Basketball Gate Admissions - The football and basketball gate admissions and change box were not reconciled with prenumbered tickets. The District currently does not issue tickets at activity events.

Recommendation – The District should establish reconciliation procedures for football gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response acknowledged. The District should establish procedures to permit the reconciliation of gate receipts to gate admission reports of tickets sold.

I-C-04 Disbursement Approval – We noted one disbursement not approved by the Board.

Recommendation – Not approving all disbursements weakens the control that the Board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-04 Disbursement Approval (continued)

Response – This was an oversight for this disbursement. The Board will properly approve all disbursements in the future.

Conclusion – Response accepted.

I-D-04 Disbursement Support – All disbursements made by the District should be supported by an invoice or other documentation as to the reason, date, vendor, and amount of the transaction. We noted one disbursement made based on a purchase order only, one disbursement made based on a statement only with no supporting detail, and two disbursements made with no supporting documentation.

Recommendation – No disbursement should be made without proper support, including invoices and expenditure details.

Response – We will require proper support for all disbursements in the future.

Conclusion – Response accepted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amount budgeted in any of the four functional areas.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Except as previously indicated in item I-C-04, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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