

MURRAY COMMUNITY SCHOOL DISTRICT  
MURRAY, IOWA

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

JUNE 30, 2010

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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 2009 Election)		
Dennis Jeter	President	2011
Shauna Shields	Vice President	2009
Mike Eckels	Board Member	2009
Melanie Halls	Board Member	2011
Terri Jones	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Dennis Jeter	President	2011
Shauna Shields	Vice President	2013
Melanie Halls	Board Member	2011
Terri Jones	Board Member	2011
John Siefkas	Board Member	2013
<u>School Officials</u>		
Alan Miller	Superintendent	2013
Elizabeth Justice	District Secretary	2010
Betty Jackson	District Treasurer	2010
Ahlers & Cooney P.C.	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, the 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Murray Community School District at June 30, 2010, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2010 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. 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.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 46 through 48 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 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 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 five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa  
September 17, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2010. Please read it in conjunction with the district's financial statements.

### Financial Highlights

- General Fund revenues increased from \$2,899,676 in fiscal 2009 to \$2,961,448 in fiscal 2010, and General Fund expenditures decreased from \$3,002,321 in fiscal 2009 to \$2,929,614 in fiscal 2010. Revenues exceeded expenditures by \$31,834 ending six years of expenditures exceeding revenues.
- The State of Iowa implemented a 10% across-the-board reduction in state aid for the 2009-10 school year. The total decrease in state revenues in 2010 was \$107,277. The loss of state funds was offset by \$91,057 increase in federal revenues, and \$97,782 increase in open enrollment/special education tuition and sharing agreements revenues.
- The district received \$153,855 in School Infrastructure Local Option Sales Tax from Clarke, Decatur and Union counties and state supplemental funds. The district has committed \$50,000 each year for debt reduction and the balance for equipment and facilities improvements. Major improvements this year included the purchase of science lab tables, bus radio system, laptop computers, and upgrades to the HVAC in the 1979 addition. The district entered into a contract for energy saving lighting improvements and roof repairs, both projects to be completed summer 2010.
- The board implemented a five-year plan for the School Infrastructure Local Option Sales Tax revenues. A portion of the annual revenue will be reserved for school bus/vehicle replacements and upgrades to the high school HVAC system.

### 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.

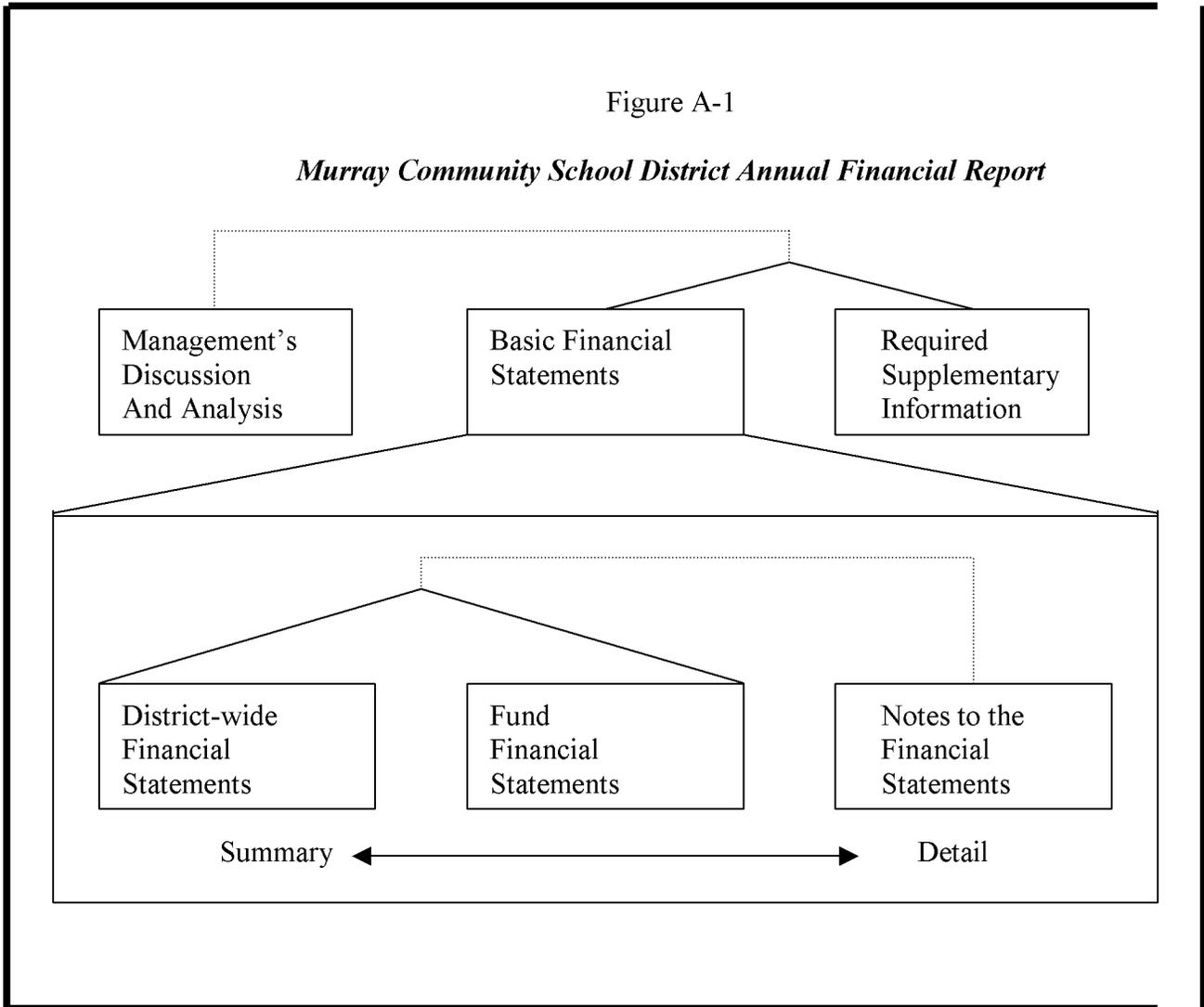


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

**Figure A-2**  
*Major Features of the District-Wide and Fund Financial Statements*

	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 the 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 are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *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.** A comparison of the District's combined net assets for 2008, 2009 and 2010 follows:

Figure A-3  
Statement of Net Assets

	Governmental Activities			Business-Type Activities			Total School District			Total % Change
	2008	2009	2010	2008	2009	2010	2008	2009	2010	
<b>Assets:</b>										
Current and other Assets	\$2,376,119	\$2,310,327	\$2,407,074	\$81,731	120,727	\$113,568	\$2,457,850	\$2,431,054	\$2,520,642	3.69%
Capital assets	<u>1,550,192</u>	<u>1,517,889</u>	<u>1,432,560</u>	<u>35,975</u>	<u>34,486</u>	<u>60,994</u>	<u>1,586,167</u>	<u>1,552,375</u>	<u>1,493,554</u>	(3.79)%
Total assets	3,926,311	3,828,216	3,839,634	117,706	155,213	174,562	4,044,017	\$3,983,429	4,014,196	.77%
Long-term obligations	377,452	301,503	222,554	0	0	0	377,452	301,503	222,554	(26.19)%
Other obligations	<u>1,000,585</u>	<u>1,052,048</u>	<u>1,086,536</u>	<u>9,458</u>	<u>15,313</u>	<u>14,817</u>	<u>1,010,043</u>	<u>1,067,361</u>	<u>1,101,353</u>	3.18%
Total liabilities	1,378,037	1,353,551	1,309,090	9,458	15,313	14,817	1,387,495	1,368,864	1,323,907	(3.28)%
<b>Net assets</b>										
Invested in capital assets										
net of related debt	1,175,192	1,217,889	1,212,560	35,975	34,486	60,994	1,211,167	1,252,375	1,273,554	1.69%
Restricted	389,277	375,250	420,145	0	0	0	389,277	375,250	420,145	11.96%
Unrestricted	<u>983,805</u>	<u>881,526</u>	<u>897,839</u>	<u>72,273</u>	<u>105,414</u>	<u>98,751</u>	<u>1,056,078</u>	<u>986,940</u>	<u>996,590</u>	.98%
Total net assets	<u>\$2,548,274</u>	<u>\$2,474,665</u>	<u>\$2,530,544</u>	<u>\$108,248</u>	<u>\$139,900</u>	<u>\$159,745</u>	<u>\$2,656,522</u>	<u>\$2,614,565</u>	<u>\$2,690,289</u>	2.89%

A large 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 and early retirements benefits payable). The District uses these capital assets to provide services to students and are 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 a comparison of the changes in net assets for three years ending June 30, 2010.

**Figure A-4**

**Changes in Net Assets**

	Governmental Activities			Business-type Activities			Total School District		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Revenues:									
Program revenues:									
Charges for service & sales	\$ 490,964	505,613	597,096	\$ 73,069	82,792	85,131	\$ 564,033	588,405	682,227
Operating grants, contributions, and restricted interest	512,908	710,523	765,760	95,351	116,002	134,203	608,259	826,525	899,963
Capital grants, contributions and restricted interest	0	0		0	0	0	0	0	0
General revenues:									
Property tax	609,542	618,316	612,896	0	0	0	609,542	618,316	612,896
Debt Service	30,444	37,800	40,445	0	0	0	30,444	37,800	40,445
PPEL	17,086	17,756	18,126	0	0	0	17,086	17,756	18,126
Local Option Sales and Services tax	163,049	180,962	153,855	0	0	0	163,049	180,962	153,855
Income Surtax	101,667	111,225	113,185	0	0	0	101,667	111,225	113,185
Unrestricted state grants	1,210,024	1,137,121	1,053,967	0	0	0	1,210,024	1,137,121	1,053,967
Unrestricted interest earnings	51,044	18,251	7,389	2,572	902	404	53,616	19,153	7,793
Other	21,668	12,187	9,172	0	0	0	21,668	12,187	9,172
Total revenues	\$3,208,396	3,349,754	3,371,891	\$ 170,992	199,696	219,738	\$3,379,388	3,549,450	3,591,629
Program expenses:									
Governmental activities:									
Instruction	\$1,974,724	2,166,951	2,093,143	0	0	0	1,974,724	2,166,951	2,093,143
Support Services	1,008,818	1,038,904	1,015,648	0	0	0	1,008,818	1,038,904	1,015,648
Non-instructional programs	0	0	0	164,446	168,044	199,893	164,446	168,044	199,893
Other expenses	239,477	217,508	207,221	0	0	0	239,477	217,508	207,221
	\$3,223,019	3,423,363	3,316,012	\$164,446	168,044	199,893	\$3,387,465	3,591,407	3,515,905
Change in net assets	(\$ 14,623)	(\$73,609)	55,879	\$6,546	\$31,652	\$19,845	(\$ 8,077)	(\$41,957)	\$75,724

The major sources of 2010 revenues for the District were property tax and unrestricted state grants, accounting for 48% of the 2010 revenues. Other revenue sources were charges for sales and services, 19%; operating grants, contributions, and restricted interest 25%; sales and services tax, income surtax, interest and other sources, 8%.

The District's expenses primarily relate to instruction and support services, which accounted for 88% of the total expenses this year.

## Governmental Activities

Governmental activities revenues for 2010 were \$3,371,891 and expenses were \$3,316,012 resulting in a net asset increase of \$55,879.

Figure A-5 presents a comparison of 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		
	2008	2009	2010	2008	2009	2010
Instruction	\$1,974,724	\$ 2,166,951	\$2,093,143	\$1,066,475	\$1,050,204	\$ 842,729
Support Services	1,008,818	1,038,904	1,015,648	1,008,818	1,038,904	1,015,648
Non-instructional programs	0	0	0	0	0	0
Other expenses	<u>239,477</u>	<u>217,508</u>	<u>207,221</u>	<u>143,854</u>	<u>118,119</u>	<u>94,779</u>
Totals	\$ 3,173,118	\$3,423,363	\$3,316,012	\$2,100,357	\$2,207,227	\$1,953,156

- The cost financed by users of the District's programs was \$597,096 in 2010 compared to \$505,613 in 2009 and \$490,964 in 2008.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$765,760 in 2010 compared to \$710,523 in 2009 and to \$512,908 in 2008.
- The net cost of governmental activities was financed with \$938,507 in property and other taxes, \$1,053,967 in unrestricted state funds, \$7,389 interest income and \$9,172 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$219,738 and expenses were \$199,893. 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 2010, its governmental funds reported combined fund balances of \$1,217,546, an increase of \$61,965 or 5% from 2009.

## **Governmental Fund Highlights**

General fund revenues exceeded expenditures by \$31,834. Increases in open enrollment tuition and sharing agreement revenues accounted for the increase. Fund balances increased for Management, Physical Plant and Equipment Levy, Student Activity, and Capital Projects. Fund balance decreased in the Debt Services fund.

## **Proprietary Fund Highlights**

The School Nutrition fund unrestricted net assets decreased to \$98,751 for the year ending June 30, 2010. This compares to \$105,414 in 2009.

## **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 fund. 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.

## **Legal Budgetary Highlights**

The District's total actual revenues were \$68,555 less than the total projected certified budget revenues, a variance of less than 2%.

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 the 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, 2010, the District's governmental activities had invested \$1,432,560 net of accumulated depreciation of \$1,867,526 in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$60,994, net of accumulated depreciation of \$47,406 in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$109,192 for governmental activities, and \$5,303 for business-type activities.

The District has set capitalization levels of \$1500 for all governmental activities assets. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Significant capital assets activities included upgrades to the HVAC system in the 1979 addition, purchase of laptop computers for teachers and administrators, science lab tables, and a bus radio system.

**Figure A-6**

**Capital Assets, net of Depreciation**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total School District</u>
Land	\$ 38,000	\$ 0	\$ 38,000
Buildings	1,214,773	0	1,214,773
Improvements, other than buildings	76,865	0	76,865
Furniture and equipment	<u>102,922</u>	<u>60,994</u>	<u>163,916</u>
Total	<u>\$1,432,560</u>	<u>\$60,994</u>	<u>\$1,493,554</u>

**Long-Term Liabilities**

At June 30, 2010, the District had long-term liabilities totaling \$222,554 of which \$554 was for early retirement benefits, \$220,000 was for general-obligation bonds, and \$2,000 for Other Postemployment Benefits (OPEB). 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.

- Revenues exceeded expenditures during the 2009-10 year for the first time in seven years. This was accomplished with sharing teachers with neighboring districts, reductions in teaching and support staff, and changes in the district's health insurance plan. We will continue to explore ways to utilize sharing programs to reduce costs and expand the district's class offerings.
- School Infrastructure Local Option Sales tax collected in Clarke, Decatur and Union counties totaled \$153,855. The District committed \$50,000 each year to be allocated to payment of general-obligation bonds resulting in a reduction in the property tax levy for debt services. The final bond payment will be paid in June 2013.

**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.

## Basic Financial Statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 1,303,085	\$ 106,835	\$ 1,409,920
Receivables:			
Property tax:			
Current year	9,623	-	9,623
Succeeding year	670,645	-	670,645
Income surtax	103,631	-	103,631
Accrued interest	742	-	742
Due from other governments	319,348	946	320,294
Inventories	-	5,787	5,787
Capital assets, net of accumulated depreciation (note 4)	1,432,560	60,994	1,493,554
	<hr/>	<hr/>	<hr/>
Total assets	3,839,634	174,562	4,014,196
<b>Liabilities</b>			
Accounts payable	99,038	1,374	100,412
Salaries and benefits payable	274,419	11,184	285,603
Accrued interest payable	639	-	639
Deferred revenue:			
Succeeding year property tax	670,645	-	670,645
Other	41,795	2,259	44,054
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	554	-	554
Bonds payable	80,000	-	80,000
Portion due after one year:			
Bonds payable	140,000	-	140,000
Net OPEB liability	2,000	-	2,000
	<hr/>	<hr/>	<hr/>
Total liabilities	1,309,090	14,817	1,323,907

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,212,560	\$ 60,994	\$ 1,273,554
Restricted for:			
Categorical funding	20,014	-	20,014
Management levy	78,326	-	78,326
Physical plant and equipment levy	40,458	-	40,458
Other special revenue purposes	110,256	-	110,256
Debt service	19,726	-	19,726
Capital projects	151,365	-	151,365
Unrestricted	<u>897,839</u>	<u>98,751</u>	<u>996,590</u>
Total net assets	<u>\$ 2,530,544</u>	<u>\$ 159,745</u>	<u>\$ 2,690,289</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 1,167,790	\$ 437,273	\$ 499,178
Special instruction	362,103	21,215	148,658
Other instruction	563,250	138,608	5,482
	2,093,143	597,096	653,318
Support services:			
Student services	108,755	-	-
Instructional staff services	143,215	-	-
Administration services	344,911	-	-
Operation and maintenance of plant services	251,827	-	-
Transportation services	166,940	-	-
	1,015,648	-	-
Other expenditures:			
Facilities acquisition	25,889	-	-
Long-term debt interest and fiscal charges	10,416	-	-
AEA flowthrough	112,442	-	112,442
Depreciation (unallocated) *	58,474	-	-
	207,221	-	112,442
Total governmental activities	3,316,012	597,096	765,760
Business-Type Activities:			
Non-instructional programs:			
Food service operations	199,893	85,131	134,203
Total	\$ 3,515,905	\$ 682,227	\$ 899,963

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (231,339)	\$ -	\$ (231,339)
(192,230)	-	(192,230)
(419,160)	-	(419,160)
(842,729)	-	(842,729)
(108,755)	-	(108,755)
(143,215)	-	(143,215)
(344,911)	-	(344,911)
(251,827)	-	(251,827)
(166,940)	-	(166,940)
(1,015,648)	-	(1,015,648)
(25,889)	-	(25,889)
(10,416)	-	(10,416)
-	-	-
(58,474)	-	(58,474)
(94,779)	-	(94,779)
(1,953,156)	-	(1,953,156)
-	19,441	19,441
(1,953,156)	19,441	(1,933,715)

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	612,896	\$ -	\$ 612,896
	40,445	-	40,445
	18,126	-	18,126
	113,185	-	113,185
	153,855	-	153,855
	1,053,967	-	1,053,967
	7,389	404	7,793
	9,172	-	9,172
	<hr/> 2,009,035	404	2,009,439
	55,879	19,845	75,724
	<hr/> 2,474,665	139,900	2,614,565
\$	<u><u>2,530,544</u></u>	<u><u>\$ 159,745</u></u>	<u><u>\$ 2,690,289</u></u>

## MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	Nonmajor	Total
<b>Assets</b>			
Cash and pooled investments	\$ 917,349	\$ 385,736	\$ 1,303,085
Receivables:			
Property tax:			
Current year	8,069	1,554	9,623
Succeeding year	555,135	115,510	670,645
Income surtax	103,631	-	103,631
Accrued interest	742	-	742
Due from other governments	302,375	16,973	319,348
 Total assets	 \$ 1,887,301	 \$ 519,773	 \$ 2,407,074
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 96,099	\$ 2,939	\$ 99,038
Salaries and benefits payable	274,419	-	274,419
Deferred revenue:			
Succeeding year property tax	555,135	115,510	670,645
Other	145,426	-	145,426
Total liabilities	1,071,079	118,449	1,189,528
 <b>Fund balances:</b>			
Reserved for:			
Categorical funding	20,014	-	20,014
Debt service	-	20,365	20,365
Equipment replacement	-	75,000	75,000
Current expenditures	350,000	-	350,000
Unreserved, reported in:			
General fund	446,208	-	446,208
Special revenue funds	-	229,594	229,594
Capital projects fund	-	76,365	76,365
Total fund balances	816,222	401,324	1,217,546
 Total liabilities and fund balances	 \$ 1,887,301	 \$ 519,773	 \$ 2,407,074

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2010

Total fund balances of governmental funds	\$	1,217,546
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.		1,432,560
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		103,631
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.		(639)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(222,554)</u>
Net assets of governmental activities	\$	<u><u>2,530,544</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 675,759	\$ 262,255	\$ 938,014
Tuition	444,997	-	444,997
Other	38,925	148,041	186,966
Intermediate sources	3,557	-	3,557
State sources	1,499,736	67	1,499,803
Federal sources	298,474	-	298,474
Total revenues	<u>2,961,448</u>	<u>410,363</u>	<u>3,371,811</u>
Expenditures:			
Current:			
Instruction	<u>1,920,399</u>	<u>160,094</u>	<u>2,080,493</u>
Support services:			
Student services	108,755	-	108,755
Instructional staff services	84,741	-	84,741
Administration services	336,437	71,634	408,071
Operation and maintenance of plant services	235,082	19,329	254,411
Transportation services	131,758	5,236	136,994
	<u>896,773</u>	<u>96,199</u>	<u>992,972</u>
Other expenditures:			
Facilities acquisition	-	33,309	33,309
Long term debt:			
Principal	-	80,000	80,000
Interest and fiscal charges	-	10,630	10,630
AEA flowthrough	112,442	-	112,442
	<u>112,442</u>	<u>123,939</u>	<u>236,381</u>
Total expenditures	<u>2,929,614</u>	<u>380,232</u>	<u>3,309,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,834</u>	<u>30,131</u>	<u>61,965</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):			
Interfund transfers in (note 3)	\$ -	\$ 50,000	\$ 50,000
Interfund transfers out (note 3)	-	(50,000)	(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	31,834	30,131	61,965
Fund balances beginning of year	<u>784,388</u>	<u>371,193</u>	<u>1,155,581</u>
Fund balances end of year	<u>\$ 816,222</u>	<u>\$ 401,324</u>	<u>\$ 1,217,546</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, 2010

Net change in fund balances - total governmental funds \$ 61,965

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 not 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:

Expenditures for capital assets	\$ 23,863	
Depreciation expense	<u>(109,192)</u>	(85,329)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 80

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 80,000

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. 214

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 the governmental funds, as follows:

Early retirement	949	
Net OPEB liability	<u>(2,000)</u>	<u>(1,051)</u>

Change in net assets of governmental activities \$ 55,879

See notes to financial statements.

## MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 106,835
Due from other governments	946
Inventories	5,787
Capital assets, net of accumulated depreciation (note 4)	<u>60,994</u>
Total assets	<u>174,562</u>
Liabilities	
Accounts payable	1,374
Salaries and benefits payable	11,184
Deferred revenue	<u>2,259</u>
Total liabilities	<u>14,817</u>
Net Assets	
Invested in capital assets	60,994
Unrestricted	<u>98,751</u>
Total net assets	<u>\$ 159,745</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, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>85,131</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	63,810
Benefits	11,985
Purchased services	10,879
Supplies	107,916
Depreciation	<u>5,303</u>
	<u>199,893</u>
Operating loss	(114,762)
Non-operating revenues:	
Interest on investments	404
State sources	2,027
Federal sources	<u>132,176</u>
Total non-operating revenues	<u>134,607</u>
Change in net assets	19,845
Net assets beginning of year	<u>139,900</u>
Net assets end of year	\$ <u><u>159,745</u></u>

See notes to financial statements.

## MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 84,581
Cash received from miscellaneous operating activities	827
Cash payments to employees for services	(73,397)
Cash payments to suppliers for goods or services	<u>(109,067)</u>
Net cash used by operating activities	<u>(97,056)</u>
Cash flows from non-capital financing activities:	
State grants received	2,027
Federal grants received	<u>125,220</u>
Net cash provided by non-capital financing activities	<u>127,247</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(31,811)</u>
Cash flows from investing activities:	
Interest on investments	<u>404</u>
Net increase in cash and cash equivalents	(1,216)
Cash and cash equivalents beginning of year	<u>108,051</u>
Cash and cash equivalents end of year	<u>\$ 106,835</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (114,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,303
Commodities used	13,260
(Increase) in inventories	(361)
(Decrease) in accounts payable	(3,171)
Increase in salaries and benefits payable	2,398
Increase in deferred revenue	<u>277</u>
Net cash used by operating activities	<u>\$ (97,056)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$13,260 of federal commodities.

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>125,820</u>	\$ <u>11,027</u>
Liabilities:		
Black Consortium payable	<u>-</u>	<u>11,027</u>
Net assets:		
Reserved for scholarships	\$ <u><u>125,820</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 22,327	
Interest	<u>1,216</u>	
Total additions		<u>23,543</u>
Deductions:		
Support services:		
Scholarships awarded		<u>9,698</u>
Change in net assets		13,845
Net assets beginning of year		<u>111,975</u>
Net assets end of year		<u>\$ 125,820</u>
See notes to financial statements.		

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, Decatur and Union 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 attributable 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, 2010

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 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 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, 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.

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, 2010

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.

The 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, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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. 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 in April 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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 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, 2010

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.

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

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

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

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 unspent grant proceeds, 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 the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned federal grants and unearned meal revenues.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employees in the year it is earned. The District has no compensated absences liability at June 30, 2010.

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. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$420,145.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>721,616</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>50,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,000	\$ -	\$ -	\$ 38,000
Capital assets being depreciated:				
Buildings	2,379,858	-	-	2,379,858
Improvements other than buildings	158,874	7,420	-	166,294
Furniture and equipment	699,491	16,443	-	715,934
Total capital assets being depreciated	<u>3,238,223</u>	<u>23,863</u>	<u>-</u>	<u>3,262,086</u>
Less accumulated depreciation for:				
Buildings	1,112,338	52,747	-	1,165,085
Improvements other than buildings	83,703	5,726	-	89,429
Furniture and equipment	562,293	50,719	-	613,012
Total accumulated depreciation	<u>1,758,334</u>	<u>109,192</u>	<u>-</u>	<u>1,867,526</u>
Total capital assets being depreciated, net	<u>1,479,889</u>	<u>(85,329)</u>	<u>-</u>	<u>1,394,560</u>
Governmental activities capital assets, net	<u>\$ 1,517,889</u>	<u>\$ (85,329)</u>	<u>\$ -</u>	<u>\$ 1,432,560</u>
Business-type activities:				
Furniture and equipment	\$ 76,589	\$ 31,811	\$ -	\$ 108,400
Less accumulated depreciation	<u>42,103</u>	<u>5,303</u>	<u>-</u>	<u>47,406</u>
Business-type activities capital assets, net	<u>\$ 34,486</u>	<u>\$ 26,508</u>	<u>\$ -</u>	<u>\$ 60,994</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 18,523
Support services:	
Administration	1,834
Operation and maintenance of plant services	415
Transportation	<u>29,946</u>
	50,718
Unallocated depreciation	<u>58,474</u>
 Total governmental activities depreciation expense	 <u>\$ 109,192</u>

Business-type activities:

Food service operations	<u>\$ 5,303</u>
-------------------------	-----------------

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 300,000	\$ -	\$ 80,000	\$ 220,000	\$ 80,000
Early retirement	1,503	-	949	554	554
Net OPEB liability	-	2,000	-	2,000	-
	<u>301,503</u>	<u>2,000</u>	<u>80,949</u>	<u>222,554</u>	<u>80,554</u>
Total	<u>\$ 301,503</u>	<u>\$ 2,000</u>	<u>\$ 80,949</u>	<u>\$ 222,554</u>	<u>\$ 80,554</u>

Early Retirement

The District, prior to the fiscal year ended June 30, 2006, offered a voluntary early retirement plan to all District employees. Eligible employees had to be at least age fifty-five and employees must have completed fifteen years of service to the District, with the last five years continuous in the District. Employees completed an application which was required to be approved by the Board of Education.

The early retirement incentive for each eligible employee was 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 was to be paid in monthly installments through the month preceding the employee's 65<sup>th</sup> birthday.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2010, the District had an obligation to one participant with a total liability of \$554. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$949. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 80,000	\$ 7,670	\$ 87,670
2012	80,000	4,990	84,990
2013	60,000	2,190	62,190
	<u>\$ 220,000</u>	<u>\$ 14,850</u>	<u>\$ 234,850</u>

Note 6. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 41 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Coventry. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC 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 over a period not to exceed 30 years.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>14,000</u>
Contributions made	<u>12,000</u>
Increase in net OPEB obligation	2,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 2,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed 12,000 to the medical plan. Plan members eligible for benefits contributed \$13,000, or 52.0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 14,000	85.7%	\$ 2,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$99,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,757,000, and the ratio of the UAAL to covered payroll was 5.6%. As of June 30, 2010, there were no trust fund assets.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality and the health care cost trend.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from Table 1 in GASB 45 paragraph 35(b).

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$120,100, \$114,815, and \$101,401, respectively, equal to the required contributions for each year.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Risk Management

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 9. 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 \$112,442 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Administrator mentoring and induction	\$ 363
Beginning teacher mentoring and induction	2,296
Early intervention	11,579
Professional development for model core curriculum	102
Professional development	2,260
Market factor incentives	<u>3,414</u>
	<u>\$ 20,014</u>

Note 11. Construction Commitments

The District has entered into a contract for lighting improvements totaling \$91,485. The project had not yet been started as of June 30, 2010.

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, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 1,569,977	\$ 85,535	\$ 1,655,512	\$ 1,457,332	\$ 198,180
Intermediate sources	3,557	-	3,557	3,000	557
State sources	1,499,803	2,027	1,501,830	1,867,692	(365,862)
Federal sources	298,474	132,176	430,650	332,080	98,570
<b>Total revenues</b>	<b>3,371,811</b>	<b>219,738</b>	<b>3,591,549</b>	<b>3,660,104</b>	<b>(68,555)</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	2,080,493	-	2,080,493	2,632,131	551,638
Support services	992,972	-	992,972	1,454,304	461,332
Non-instructional programs	-	199,893	199,893	300,000	100,107
Other expenditures	236,381	-	236,381	337,635	101,254
<b>Total expenditures/expenses</b>	<b>3,309,846</b>	<b>199,893</b>	<b>3,509,739</b>	<b>4,724,070</b>	<b>1,214,331</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	61,965	19,845	81,810	(1,063,966)	1,145,776
Balance beginning of year	1,155,581	139,900	1,295,481	1,229,911	65,570
Balance end of year	\$ 1,217,546	\$ 159,745	\$ 1,377,291	\$ 165,945	\$ 1,211,346

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 internal service, 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 the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions 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 function level, not by fund. 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 ended June 30, 2010, expenditures did not exceed the amounts budgeted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 Required Supplementary Information  
 Year Ended June 30, 2010

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liability (AAL) ( b )</u>	<u>Unfunded AAL (UAAL) ( b-a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll (( b-a)/c )</u>
2010	July 1, 2008	\$ -	\$ 99,000	\$ 99,000	0.0%	\$ 1,757,000	0.0%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	<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	\$ 78,166	\$ 113,195	\$ 40,198	\$ 19,785
Receivables:				
Property tax:				
Current year	714	-	260	580
Succeeding year	62,013	-	17,272	36,225
Due from other governments	-	-	-	-
Total assets	<u>\$ 140,893</u>	<u>\$ 113,195</u>	<u>\$ 57,730</u>	<u>\$ 56,590</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,939	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	62,013	-	17,272	36,225
Total liabilities	<u>62,013</u>	<u>2,939</u>	<u>17,272</u>	<u>36,225</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	20,365
Equipment replacement	-	-	-	-
Unreserved:				
Undesignated	78,880	110,256	40,458	-
Total fund balances	<u>78,880</u>	<u>110,256</u>	<u>40,458</u>	<u>20,365</u>
Total liabilities and fund balances	<u>\$ 140,893</u>	<u>\$ 113,195</u>	<u>\$ 57,730</u>	<u>\$ 56,590</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 134,392	\$ 385,736
-	1,554
-	115,510
<u>16,973</u>	<u>16,973</u>
<u>\$ 151,365</u>	<u>\$ 519,773</u>
\$ -	\$ 2,939
-	<u>115,510</u>
<u>-</u>	<u>118,449</u>
-	20,365
75,000	75,000
<u>76,365</u>	<u>305,959</u>
<u>151,365</u>	<u>401,324</u>
<u>\$ 151,365</u>	<u>\$ 519,773</u>

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 49,865	\$ -	\$ 18,115	\$ 40,420
Other	8,663	138,855	211	13
State sources	31	-	11	25
Total revenues	<u>58,559</u>	<u>138,855</u>	<u>18,337</u>	<u>40,458</u>
Expenditures:				
Current:				
Instruction	22,137	137,957	-	-
Support services:				
Administration services	13,160	-	-	-
Operation and maintenance of plant services	19,329	-	-	-
Transportation services	-	-	2,236	-
Other expenditures:				
Facilities acquisition	-	-	13,446	-
Long term debt:				
Principal	-	-	-	80,000
Interest and fiscal charges	-	-	-	10,630
Total expenditures	<u>54,626</u>	<u>137,957</u>	<u>15,682</u>	<u>90,630</u>
Excess (deficiency) of revenues over (under) expenditures	3,933	898	2,655	(50,172)
Other financing sources (uses):				
Interfund transfers in	-	-	-	50,000
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	3,933	898	2,655	(172)
Fund balances beginning of year	<u>74,947</u>	<u>109,358</u>	<u>37,803</u>	<u>20,537</u>
Fund balances end of year	<u>\$ 78,880</u>	<u>\$ 110,256</u>	<u>\$ 40,458</u>	<u>\$ 20,365</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 153,855	\$ 262,255
299	148,041
-	67
154,154	410,363
-	160,094
58,474	71,634
-	19,329
3,000	5,236
19,863	33,309
-	80,000
-	10,630
81,337	380,232
72,817	30,131
-	50,000
(50,000)	(50,000)
(50,000)	-
22,817	30,131
128,548	371,193
\$ 151,365	\$ 401,324

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Mentor Groups	\$ 1,205	\$ -	\$ 77	\$ 1,128
Elementary Student Council	1,473	-	122	1,351
Athletics	376	7,377	8,225	(472)
Band/Vocal Resale	34	100	-	134
Class of:				
2009	92	-	4	88
2010	2,884	5,341	8,225	-
2011	357	13,977	11,167	3,167
2012	325	25	-	350
2013	581	100	-	681
2014	330	190	-	520
2015	-	145	-	145
Fruit Sales	8	11,918	8,960	2,966
Basketball Camp	207	3,789	4,181	(185)
Programs Fund	906	-	-	906
Concession Supplies	480	1,028	1,035	473
Physics Club	50	-	-	50
All School Fundraisers	18,960	2,555	11,522	9,993
FFA	3,553	2,986	4,910	1,629
FFA Soils Kit Fund	736	-	-	736
FHA	(556)	4,394	4,448	(610)
FNA	328	84	50	362
Book Fair	1,482	2,308	1,764	2,026
Miscellaneous Athletics	1,334	-	-	1,334
Student Council	1,264	2,752	2,711	1,305
Cheerleaders	1,346	-	-	1,346
Drama	-	870	613	257
Picture Fund	-	254	-	254
French Club	1,687	1,702	672	2,717
Student Council Pop	(156)	2,532	1,418	958
Supplies	996	427	275	1,148
Baseball/Softball	(9,713)	4,759	7,241	(12,195)
Basketball	12,315	9,116	4,591	16,840
Football	4,227	6,243	8,906	1,564
Track	505	2,060	1,585	980
Volleyball	896	2,446	1,847	1,495
Interest	4,602	247	3,340	1,509
Yearbook	1,587	6,364	3,888	4,063
National Honor Society	(1)	322	135	186
TAG Club	1,460	810	348	1,922
After Prom	-	4,857	3,444	1,413

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FBLA	\$ 94	\$ -	\$ -	94
Vocal Music - Trips	2,336	1,129	1,190	2,275
Weightlifting	3,218	2,011	3,488	1,741
Swim Fund	6,668	1,980	365	8,283
Character Counts	2,033	1,180	299	2,914
Map Program	17,901	2,406	16,135	4,172
Mustang Pride	2,341	17	1,420	938
Co-Curricular Activity Fund	274	3,640	2,638	1,276
Student Council Ice Cream	10,148	7,706	3,906	13,948
Student Flower Fund	2,238	380	229	2,389
Gate Change	(200)	-	25	(225)
Book Rent/Preschool Fees	-	-	-	-
Drill Team Fund	-	-	-	-
Preschool Fundraising	1,884	3,528	2,773	2,639
El Fundraiser	918	26,052	9,692	17,278
Elementary Field Trips	3,345	-	3,345	-
Intrafund Transfers	-	(13,252)	(13,252)	-
<b>Total</b>	<b>\$ 109,358</b>	<b>\$ 138,855</b>	<b>\$ 137,957</b>	<b>\$ 110,256</b>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ <u>11,027</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,027</u>
<b>Liabilities</b>				
Black Consortium payable	\$ <u>11,027</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,027</u>

See accompanying independent auditor's report.

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MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 938,014	\$ 965,624	\$ 923,796	\$ 938,438
Tuition	444,997	347,215	273,297	266,003
Other	186,966	218,718	305,064	329,219
Intermediate sources	3,557	3,518	2,958	1,486
State sources	1,499,803	1,607,037	1,580,222	1,502,405
Federal sources	298,474	207,417	125,508	117,215
<b>Total revenues</b>	<b>\$ 3,371,811</b>	<b>\$ 3,349,529</b>	<b>\$ 3,210,845</b>	<b>\$ 3,154,766</b>
<b>Expenditures:</b>				
Instruction	\$ 2,080,493	\$ 2,166,382	\$ 1,973,850	\$ 1,900,248
Support services:				
Student services	108,755	101,142	96,139	89,890
Instructional staff services	84,741	104,112	130,641	125,446
Administration services	408,071	353,802	342,572	363,899
Operation and maintenance of plant services	254,411	292,718	267,602	236,628
Transportation services	136,994	210,415	161,878	148,553
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	33,309	51,356	78,895	111,666
Long-term debt:				
Principal	80,000	75,000	75,000	75,000
Interest and fiscal charges	10,630	12,880	14,905	16,705
AEA flowthrough	112,442	99,389	95,623	93,108
<b>Total expenditures</b>	<b>\$ 3,309,846</b>	<b>\$ 3,467,196</b>	<b>\$ 3,237,105</b>	<b>\$ 3,161,143</b>

See accompanying independent auditor's report.

	<u>2006</u>	<u>2005</u>
\$	916,999	\$ 896,380
	283,044	203,009
	310,845	271,853
	-	9,566
	1,458,141	1,356,063
	144,928	122,673
	<u>3,113,957</u>	<u>2,859,544</u>
\$	1,852,077	\$ 1,720,732
	99,938	89,952
	74,707	75,756
	348,030	332,528
	293,685	328,761
	188,321	109,958
	-	3,903
	133,197	-
	70,000	70,000
	22,175	19,365
	90,268	89,512
	<u>3,172,398</u>	<u>2,840,467</u>

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

To the Board of Education of  
Murray Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

In planning and performing our audit, we considered Murray Community School District'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 Murray Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Murray Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over financial reporting during the course of our audit.

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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray Community School District's 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Murray Community School District's operations for the year ended June 30, 2010 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.

Murray Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Murray Community School District's responses and, accordingly, we express no opinion on them.

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, including federal awarding agencies and pass-through entities. 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  
September 17, 2010

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-10 Student Activity Gate Admissions – Student activity gate admissions and the associated 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 athletic event 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.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- II-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-10 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-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Terri Jones, Board Member	Substitute teacher	\$1,275
John Siefkas, Board Member	Substitute bus driver	\$ 156
Marla Jeter, spouse of Board President Dennis Jeter	Substitute teacher and cook	\$1,585
Ted Halls, spouse of Board Member Melanie Halls	Coaching	\$1,000
Steve Potter, Custodian, Owner of Potter Plumbing	Plumbing services, repairs	\$1,450

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the board members and their spouses and with District employees do not appear to represent conflicts of interest since the cumulative amount was less than \$2,500 for the fiscal year for each person. In addition, the limited availability of these services due to the remote location of the District contributes to the arms-length status of these transactions.

- II-E-10 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-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 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.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance		\$	128,548
Statewide sales and services tax revenue (including interest)			154,154
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	61,474	
Other improvements		19,863	
Debt service for school infrastructure:			
General obligation debt		<u>50,000</u>	<u>131,337</u>
Ending balance		\$	<u><u>151,365</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.95471	\$ 50,000
Physical plant and equipment levy	1.55307	81,337

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting (continued):

II-M-10 Financial Condition – The Special Revenue, Student Activity Fund had some individual account deficit balances at June 30, 2010.

Recommendation – The District needs to monitor the accounts and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the conditions and is making strides to eliminate deficit account balances.

Conclusion – Response accepted.