

MURRAY COMMUNITY SCHOOL DISTRICT  
MURRAY, IOWA

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

JUNE 30, 2015

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MURRAY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dennis Jeter	President	2015
Terri Jones	Vice President	2015
Aaron Peterson	Board Member (Resigned November 17, 2014)	
Trevor Robins	Board Member	2015
John Siefkas	Board Member	2017
Brian McCracken	Board Member (Appointed December 11, 2014)	2015
<u>School Officials</u>		
Alan Miller	Superintendent	2018
Elizabeth Justice	District Secretary/Treasurer and Business Manager	2015
Ahlers and Cooney P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Murray Community School District:

Report on the Financial Statements

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, Murray Iowa, as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Murray Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 62 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Murray Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2015 on our consideration of Murray Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 in considering Murray Community School District's internal control over financial reporting and compliance.

*Hunt & Associates, P.C.*

## 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, 2015. Please read it in conjunction with the district's financial statements.

### Financial Highlights

- General Fund revenues were \$3,521,790, an increase of \$153,343 over the prior year. General fund expenditures increased by 3% from \$3,273,868 in 2014 to \$3,387,237. Expenditures have not exceeded revenues for the past six years.
- The district received \$256,240 in Secure an Advanced Vision for Education (SAVE) funds compared to \$247,210 in sales tax revenue in 2014.
- Construction on the \$2,085,000 bond issue construction and renovation project was completed by June 30, 2015. The project included renovation of the school lunchroom, construction of new math and science classrooms, school offices, and a practice size gymnasium.
- The district used Sales Tax Revenue Bonds to finance additional construction costs. The district made the first payment on these bonds in 2014-15. The final payment will be July 1, 2024.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Murray Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Murray Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Murray Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

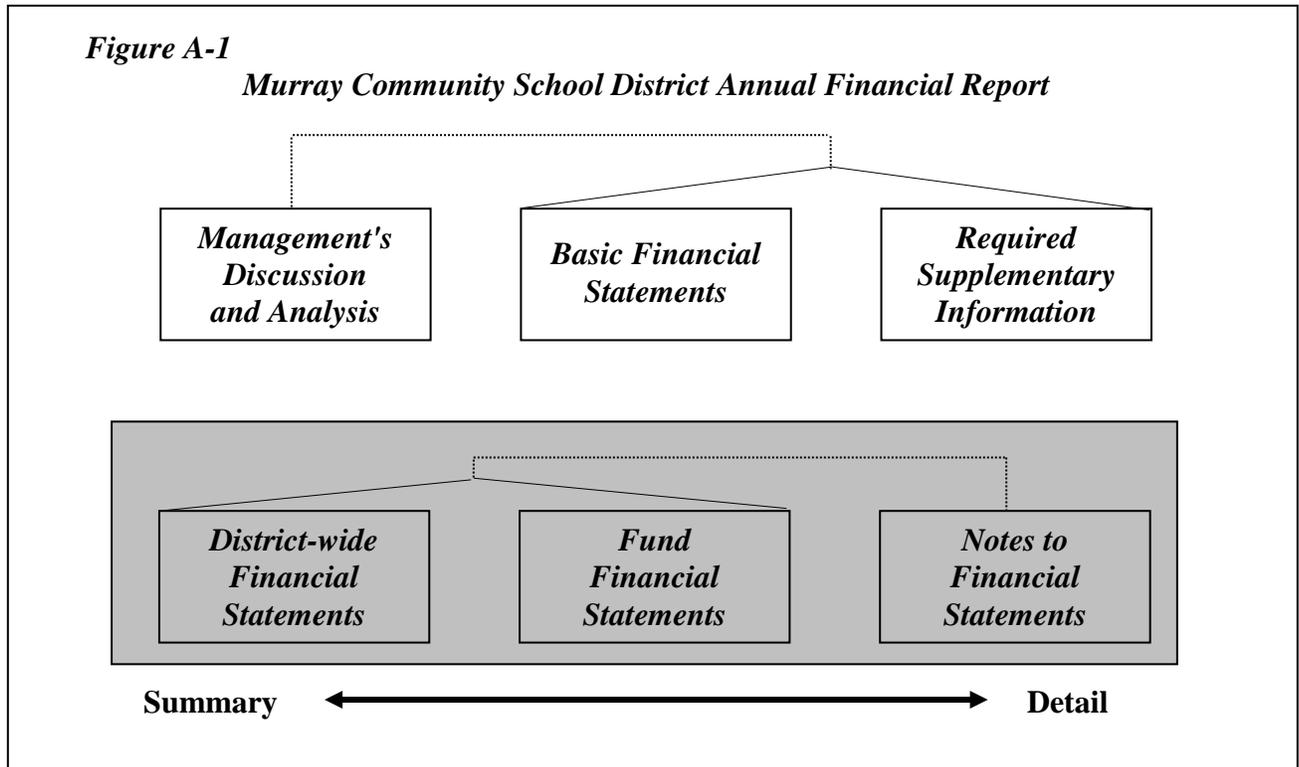


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-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 and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, 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 deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-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 uses 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 it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *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 government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 provides a summary of the District’s combined net position at June 30, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2015	2014	2015	2014	2015	2014	2015
<b>Assets:</b>							
Current and other Assets	\$3,874,260	\$4,738,729	132,081	137,523	4,006,341	4,876,252	-869,911
Capital assets	<u>4,356,453</u>	<u>3,535,809</u>	<u>62,603</u>	<u>59,395</u>	<u>4,419,056</u>	<u>3,595,204</u>	<u>823,852</u>
Total assets	<u>8,230,713</u>	<u>8,274,538</u>	<u>194,684</u>	<u>196,918</u>	<u>8,425,397</u>	<u>8,471,456</u>	<u>-46,059</u>
<b>Deferred Outflows of Resources</b>							
Pension related deferred outflows	<u>281,639</u>	<u>-</u>	<u>8,310</u>	<u>-</u>	<u>289,949</u>	<u>-</u>	<u>289,949</u>
<b>Liabilities:</b>							
Long-term liabilities	3,769,583	2,673,400	36,883	-	3,806,466	2,673,400	1,133,066
Other liabilities	<u>376,226</u>	<u>608,814</u>	<u>25,516</u>	<u>16,330</u>	<u>401,742</u>	<u>625,144</u>	<u>-223,402</u>
Total liabilities	<u>4,145,809</u>	<u>3,282,214</u>	<u>62,399</u>	<u>16,330</u>	<u>4,208,208</u>	<u>3,298,544</u>	<u>909,664</u>
Deferred Inflows of Resource-	<u>1,366,201</u>	<u>823,695</u>	<u>14,066</u>	<u>-</u>	<u>1,380,267</u>	<u>823,695</u>	<u>556,572</u>
<b>Net position:</b>							
Net investment in capital assets	1,846,453	\$1,697,875	62,603	59,395	1,909,056	1,757,270	151,786
Restricted	762,815	725,243	0	0	762,815	725,243	37,572
Unrestricted	<u>391,074</u>	<u>1,745,511</u>	<u>63,926</u>	<u>121,193</u>	<u>455,000</u>	<u>1,866,704</u>	<u>-1,411,704</u>
Total net position	<u>\$3,000,342</u>	<u>\$4,168,629</u>	<u>\$126,529</u>	<u>\$ 180,588</u>	<u>3,126,871</u>	<u>\$4,349,217</u>	<u>\$-1,222,346</u>

A large portion of the District's net position reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (bonds payable). The District's capital assets are used to provide services to students and are unavailable 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.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$37,752, or 5%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$1,411,704, or 75.6%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2015 for governmental activities and business type activities were restated by \$1,538,357 and \$46,182, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Change in net position – Figure A-4 shows a comparison of the changes in net position for years ending June 30, 2015 and June 30, 2014.

<b>Figure A-4 Changes in Net Position</b>								
	Governmental Activities Not restated		Business Type Activities Not restated		Total District	Total District Not restated	Total Change	Total Change %
	2015	2014	2015	2014	2014-15	2013-14	2014-15	2014-15
Revenues:								
Program Revenues:								
Charges for service	\$ 868,310	\$ 917,642	\$ 75,737	\$ 75,462	\$ 944,047	\$ 993,104	\$ (49,057)	-4.9%
Operating grants, contributions and restricted interest	602,409	596,552	131,007	125,749	733,416	722,301	11,115	1.5%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-	-
General revenues:								
Property tax	825,285	814,743	-	-	825,285	814,743	10,542	1.3%
Statewide sales, services & use tax	256,240	247,211	-	-	256,240	247,211	9,029	3.7%
Income surtax	127,810	120,571	-	-	127,810	120,571	7,239	6.0%
Unrestricted state grants	1,400,327	1,343,472	-	-	1,400,327	1,343,472	56,855	4.2%
Unrestricted investment earnings	4,799	6,745	86	95	4,885	6,840	-1,955	-28.6%
Other	29,907	14,289	-	-	29,907	14,289	15,618	109.3%
<b>Total revenues</b>	<b>4,115,087</b>	<b>4,061,225</b>	<b>206,830</b>	<b>201,306</b>	<b>4,321,917</b>	<b>4,262,531</b>	<b>59,386</b>	<b>1.4%</b>
Program expenses								
Instruction	2,193,508	2,248,004	-	-	2,193,508	2,248,004	-54,496	-2.4%
Support Services	1,177,125	1,179,294	-	-	1,177,125	1,179,294	-2,169	-0.2%
Non-instructional programs	0	0	214,707	192,208	214,707	192,208	22,499	11.7%
Other Expenses	374,384	400,017	-	-	374,384	400,017	-25,633	-6.4%
<b>Total Expenses</b>	<b>3,745,017</b>	<b>3,827,315</b>	<b>214,707</b>	<b>192,208</b>	<b>3,959,724</b>	<b>4,019,523</b>	<b>-59,799</b>	<b>-1.5%</b>
Change in net position	370,070	233,910	(7,877)	9,098	362,193	243,008	119,185	49.0%
Net position beginning of year, as restated	2,630,272	3,934,719	134,406	171,490	2,764,678	4,106,209	(1,341,531)	-32.7%
Net position end of year	<u>\$ 3,000,342</u>	<u>\$4,168,629</u>	<u>\$126,529</u>	<u>\$ 180,588</u>	<u>\$3,126,871</u>	<u>\$4,349,217</u>	<u>\$(1,222,346)</u>	<u>-28.1%</u>

In fiscal year 2015, property tax, sales tax, income surtax and unrestricted state grants accounted for 63% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest account for 99.9% of business type activities. The District's total revenues were approximately \$4.3 million, of which approximately \$4.1 million was for governmental activities and approximately \$207,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.4% increases in revenues and a 1.5% decrease in expenses. The decrease in expenses is related to the major portion of construction being completed by June 30, 2014.

The District's expenses primarily relate to instruction and support services, which accounted for 85% of the total district expenses for 2015.

## Governmental Activities

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		
	2015	2014 Not restated	Change 2014-15	2015	2014 Not restated	Change 2014-15
	Instruction	\$2,193,508	\$2,248,004	-54,496	\$ 834,741	\$ 855,088
Support Services	1,177,125	1,179,294	-2,169	1,177,725	1,169,896	7,829
Non-instructional programs	0	0	0	0	0	0
Other expenses	<u>374,384</u>	<u>400,017</u>	-25,633	<u>262,432</u>	<u>288,137</u>	<u>-25,705</u>
Totals	<u>\$ 3,745,017</u>	<u>\$ 3,827,315</u>	<u>\$ -82,298</u>	<u>\$ 2,274,298</u>	<u>\$ 2,313,121</u>	<u>\$ -38,223</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$868,310.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$602,409.
- The net cost of governmental activities financed was financed with \$1,209,335 in property and other taxes, and \$1,435,033 in unrestricted state grants, unrestricted interest earnings, and other miscellaneous revenue.

## Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2015 were \$206,830 representing an 2.7% increase over the prior year, while expenses were \$214,707, an increase of 11.7%. 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.

## Individual Fund Analysis

As previously noted, the Murray Community School District uses 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 completed the year, its governmental funds reported combined fund balances of \$2,509,553, \$700,977 below last year's ending fund balances of \$3,210,530. The primary reason for the decrease in combined fund balances is due to final construction costs paid in fiscal year 2015.

## **Governmental Fund Highlights**

- General Fund revenues and other financing sources exceeded expenditures by \$138,911.
- The Capitol Projects Fund Balance decreased by \$875,973 due to the 100% completion of the building addition.
- Sales tax revenue was used to purchase a new bus.

## **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from an unrestated balance of \$180,588 at June 30, 2014 to \$126,569 at June 30, 2015, representing a decrease of approximately 30%. For fiscal year 2015, the District increased meal prices, resulting in an increase in revenues. The District also reflected the related expenses for the net pension liability, which caused a large overall reduction of net position.

## **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 or expenses by fund, the legal level of control is at the aggregated functional 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 \$166,524 more than the total projected certified budget receipts, a variance of 4%.

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, 2015, the District's governmental activities had invested \$4,356,453, net of accumulated depreciation of \$2,325,455, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$62,603, net of accumulated depreciation of \$66,058, in capital assets. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$178,218 for governmental activities, and \$9,550 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.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	51,520	51,520	-	-	51,520	51,520	0%
Construction in progress	-	1,957,934	-	-	-	1,957,934	-100%
Buildings	3,912,329	1,170,988	-	-	3,912,329	1,170,988	234.1%
Improvements other than buildings	288,738	300,458	-	-	288,738	300,458	-3.9%
Furniture & equipment	<u>103,866</u>	<u>54,909</u>	<u>62,603</u>	<u>59,395</u>	<u>166,469</u>	<u>114,304</u>	<u>45.6%</u>
Total	<u>\$ 4,356,453</u>	<u>\$ 3,535,809</u>	<u>\$ 62,603</u>	<u>\$ 59,395</u>	<u>\$ 4,419,056</u>	<u>\$ 3,595,204</u>	<u>22.9%</u>

### Long-Term Debt

At June 30, 2015, the District had long-term debt totaling \$2,510,000 of which \$1,875,000 was for General Obligation Bonds and \$635,000 was for Revenue Bonds. More detailed information on other long-term liabilities is available in Notes 6 through 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	Total District	Total District	Total Change
	June 30, 2015	June 30, 2014	June 30, 2014-15
General obligation bonds	\$ 1,875,000	\$ 1,965,000	-4.6%
Revenue Bonds	<u>635,000</u>	<u>700,000</u>	<u>-9.3%</u>
Total	<u>\$ 2,510,000</u>	<u>\$ 2,665,000</u>	<u>-5.8%</u>

### Economic 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.

- GASB Statement No.68 has been implemented and will continue to have a downward effect on total net assets.
- The district discontinued the superintendent sharing agreement at the end of fiscal year 2015 but will continue to share a transportation director and five teachers with neighboring districts. These sharing arrangements have allowed the district to expand class offerings and add additional staff.
- The number of resident and nonresident students served in the District decreased by 11 students in October 2014, resulting in lower future funding.

### **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/Treasurer and Business Manager, Murray Community School District, PO Box 187, Murray, Iowa 50174.

## Basic Financial Statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 2,668,621	\$ 137,314	\$ 2,805,935
Receivables:			
Property tax:			
Current year	16,963	-	16,963
Succeeding year	889,455	-	889,455
Income surtax	109,588	-	109,588
Internal balances	13,397	(13,397)	-
Due from other governments	176,236	5,060	181,296
Inventories	-	3,104	3,104
Capital assets, net of accumulated depreciation (note 5)	4,356,453	62,603	4,419,056
	<hr/>	<hr/>	<hr/>
Total assets	8,230,713	194,684	8,425,397
Deferred Outflows of Resources			
Pension related deferred outflows	281,639	8,310	289,949
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts payable	18,782	10,528	29,310
Salaries and benefits payable	346,882	10,525	357,407
Unearned revenue	-	4,463	4,463
Accrued interest payable	10,562	-	10,562
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	155,000	-	155,000
Portion due after one year:			
Bonds payable	2,355,000	-	2,355,000
Net pension liability	1,250,083	36,883	1,286,966
Net OPEB liability	9,500	-	9,500
	<hr/>	<hr/>	<hr/>
Total liabilities	4,145,809	62,399	4,208,208

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 889,455	\$ -	\$ 889,455
Pension related deferred inflows	476,746	14,066	490,812
Total deferred inflows of resources	<u>1,366,201</u>	<u>14,066</u>	<u>1,380,267</u>
Net Position			
Net investment in capital assets	1,846,453	62,603	1,909,056
Restricted for:			
Categorical funding	183,340	-	183,340
Debt service	66,552	-	66,552
Capital projects	155,119	-	155,119
Physical plant and equipment levy purposes	23,201	-	23,201
Management levy purposes	154,523	-	154,523
Student activities	180,080	-	180,080
Unrestricted	<u>391,074</u>	<u>63,926</u>	<u>455,000</u>
Total net position	<u>\$ 3,000,342</u>	<u>\$ 126,529</u>	<u>\$ 3,126,871</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Regular instruction	\$ 1,325,724	\$ 663,527	\$ 379,761
Special instruction	299,733	77,646	110,696
Other instruction	568,051	127,137	-
	<u>\$ 2,193,508</u>	<u>\$ 868,310</u>	<u>\$ 490,457</u>
Support services:			
Student	85,981	-	-
Instructional staff	128,101	-	-
Administration	461,404	-	-
Operation and maintenance of plant	316,627	-	-
Transportation	185,012	-	-
	<u>1,177,125</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	70,135	-	-
Long-term debt interest and fiscal charges	55,646	-	-
AEA flowthrough	111,952	-	111,952
Depreciation (unallocated) *	136,651	-	-
	<u>374,384</u>	<u>-</u>	<u>111,952</u>
Total governmental activities	<u>3,745,017</u>	<u>868,310</u>	<u>602,409</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (282,436)	\$ -	\$ (282,436)
(111,391)	-	(111,391)
(440,914)	-	(440,914)
<u>\$ (834,741)</u>	<u>\$ -</u>	<u>\$ (834,741)</u>
(85,981)	-	(85,981)
(128,101)	-	(128,101)
(461,404)	-	(461,404)
(316,627)	-	(316,627)
(185,012)	-	(185,012)
<u>(1,177,125)</u>	<u>-</u>	<u>(1,177,125)</u>
(70,135)	-	(70,135)
(55,646)	-	(55,646)
-	-	-
(136,651)	-	(136,651)
<u>(262,432)</u>	<u>-</u>	<u>(262,432)</u>
<u>(2,274,298)</u>	<u>-</u>	<u>(2,274,298)</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	\$ <u>214,707</u>	\$ <u>75,737</u>	\$ <u>131,007</u>
Total	\$ <u>3,959,724</u>	\$ <u>944,047</u>	\$ <u>733,416</u>

General revenues:

- Property tax levied for:
  - General purposes
  - Debt service
  - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net position

Net position beginning of year, as restated (note 12)

Net position 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 Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (7,963)	\$ (7,963)
(2,274,298)	(7,963)	(2,282,261)
\$ 674,963	\$ -	\$ 674,963
131,025	-	131,025
19,297	-	19,297
127,810	-	127,810
256,240	-	256,240
1,400,327	-	1,400,327
4,799	86	4,885
29,907	-	29,907
2,644,368	86	2,644,454
370,070	(7,877)	362,193
2,630,272	134,406	2,764,678
\$ 3,000,342	\$ 126,529	\$ 3,126,871

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,121,052	\$ 138,110	\$ 409,459	\$ 2,668,621
Receivables:				
Property tax:				
Current year	12,844	397	3,722	16,963
Succeeding year	690,479	19,743	179,233	889,455
Income surtax	109,588	-	-	109,588
Interfund (note 4)	13,397	-	-	13,397
Due from other governments	136,423	39,813	-	176,236
	<hr/>			
Total assets	<u>\$ 3,083,783</u>	<u>\$ 198,063</u>	<u>\$ 592,414</u>	<u>\$ 3,874,260</u>

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 17,504	\$ -	\$ 1,278	\$ 18,782
Salaries and benefits payable	346,696	-	186	346,882
Total liabilities	<u>364,200</u>	<u>-</u>	<u>1,464</u>	<u>365,664</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	690,479	19,743	179,233	889,455
Other	109,588	-	-	109,588
Total deferred inflows of resources	<u>800,067</u>	<u>19,743</u>	<u>179,233</u>	<u>999,043</u>
Fund balances:				
Restricted for:				
Categorical funding (note 11)	183,340	-	-	183,340
Debt service	-	-	77,114	77,114
School infrastructure	-	155,119	-	155,119
Physical plant and equipment	-	23,201	-	23,201
Management levy purposes	-	-	154,523	154,523
Student activities	-	-	180,080	180,080
Unassigned	1,736,176	-	-	1,736,176
Total fund balances	<u>1,919,516</u>	<u>178,320</u>	<u>411,717</u>	<u>2,509,553</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,083,783</u>	<u>\$ 198,063</u>	<u>\$ 592,414</u>	<u>\$ 3,874,260</u>

See notes to financial statements.

## MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

Total fund balances of governmental funds	\$	2,509,553
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,356,453
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		109,588
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(10,562)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 281,639	
Deferred inflows of resources	<u>(476,746)</u>	(195,107)
Long-term liabilities, including bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,769,583)</u>
Net position of governmental activities	\$	<u><u>3,000,342</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, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 749,833	\$ 19,289	\$ 181,034	\$ 950,156
Tuition	643,537	-	-	643,537
Other	157,449	319	129,420	287,188
Intermediate sources	250	-	-	250
State sources	1,844,186	256,249	88	2,100,523
Federal sources	126,535	-	-	126,535
Total revenues	<u>3,521,790</u>	<u>275,857</u>	<u>310,542</u>	<u>4,108,189</u>
Expenditures:				
Current:				
Instruction	2,113,032	-	133,167	2,246,199
Support services:				
Student	88,855	-	-	88,855
Instructional staff	117,576	12,338	-	129,914
Administration	483,877	-	-	483,877
Operation and maintenance of plant	311,576	-	10,017	321,593
Transportation	160,369	80,851	-	241,220
	<u>1,162,253</u>	<u>93,189</u>	<u>10,017</u>	<u>1,265,459</u>
Other expenditures:				
Facilities acquisition	-	978,472	-	978,472
Long term debt:				
Principal	-	-	155,000	155,000
Interest and fiscal charges	-	-	56,442	56,442
AEA flowthrough	111,952	-	-	111,952
	<u>111,952</u>	<u>978,472</u>	<u>211,442</u>	<u>1,301,866</u>
Total expenditures	<u>3,387,237</u>	<u>1,071,661</u>	<u>354,626</u>	<u>4,813,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>134,553</u>	<u>(795,804)</u>	<u>(44,084)</u>	<u>(705,335)</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 4,358	\$ -	\$ -	\$ 4,358
Interfund transfers in (note 3)	-	-	80,169	80,169
Interfund transfers out (note 3)	-	(80,169)	-	(80,169)
Total other financing sources (uses)	<u>4,358</u>	<u>(80,169)</u>	<u>80,169</u>	<u>4,358</u>
Net change in fund balances	138,911	(875,973)	36,085	(700,977)
Fund balances beginning of year	<u>1,780,605</u>	<u>1,054,293</u>	<u>375,632</u>	<u>3,210,530</u>
Fund balances end of year	<u>\$ 1,919,516</u>	<u>\$ 178,320</u>	<u>\$ 411,717</u>	<u>\$ 2,509,553</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, 2015

Net change in fund balances - total governmental funds \$ (700,977)

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 Activities 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 current year are as follows:

Capital outlays	\$ 998,862	
Depreciation expense	<u>(178,218)</u>	820,644

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is recognized as  
deferred inflows of resources in the governmental funds. 2,540

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Position and does not affect the Statement of Activities.

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 155,000

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 governmental funds when due. In the Statement of  
Activities, however, interest expense is recognized as the interest accrues,  
regardless of when it is due. 796

The current year District employer share of IPERS contributions are reported  
as expenditures in the governmental funds, but are reported as a deferred  
outflow of resources in the Statement of Net Position. 8,209

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, 2015

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		
	Compensated absences		
	Pension expense	84,958	
	Net OPEB liability	<u>(1,100)</u>	<u>83,858</u>
Change in net position of governmental activities			<u>\$ 370,070</u>

See notes to financial statements.

## MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND

June 30, 2015

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 137,314
Due from other governments	5,060
Inventories	3,104
Capital assets, net of accumulated depreciation (note 5)	<u>62,603</u>
Total assets	<u>208,081</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>8,310</u>
Liabilities	
Due to other funds (note 4)	13,397
Accounts payable	10,528
Salaries and benefits payable	10,525
Unearned revenue	4,463
Net pension liability	<u>36,883</u>
Total liabilities	<u>75,796</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>14,066</u>
Fund Net Position	
Net investment in capital assets	62,603
Unrestricted	<u>63,926</u>
Total fund net position	<u>\$ 126,529</u>

See notes to financial statements.

## MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2015

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>75,737</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Non-instructional programs:	
Food service operations:	
Salaries	64,602
Benefits	15,029
Purchased services	10,042
Supplies	114,889
Depreciation	9,550
Other	595
Total operating expenses	<u>214,707</u>
Operating loss	(138,970)
Non-operating revenues:	
Interest on investments	86
State sources	1,892
Federal sources	129,115
Total non-operating revenues	<u>131,093</u>
Change in fund net position	(7,877)
Fund net position beginning of year, as restated (note 12)	<u>134,406</u>
Fund net position end of year	\$ <u><u>126,529</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2015

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 75,101
Cash received from miscellaneous operating activities	525
Cash paid to employees for services	(83,910)
Cash paid to suppliers for goods or services	<u>(88,391)</u>
Net cash used by operating activities	<u>(96,675)</u>
Cash flows from non-capital financing activities:	
State grants received	1,892
Federal grants received	<u>112,190</u>
Net cash provided by non-capital financing activities	<u>114,082</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(12,758)</u>
Cash flows from investing activities:	
Interest on investments	<u>86</u>
Net increase in cash and cash equivalents	4,735
Cash and cash equivalents beginning of year	<u>132,579</u>
Cash and cash equivalents end of year	<u>\$ 137,314</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2015

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (138,970)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	9,550
Commodities used	11,865
(Increase) in due to other funds	13,397
Decrease in inventories	1,840
Increase in accounts payable	10,033
(Decrease) in salaries and benefits payable	(736)
(Decrease) in unearned revenue	(111)
(Decrease) in net pension liability	(14,826)
(Increase) in deferred outflows of resources	(2,783)
Increase in deferred inflows of resources	<u>14,066</u>
Net cash used by operating activities	\$ <u><u>(96,675)</u></u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$11,865 of federal commodities.

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>154,421</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>154,421</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2015

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 14,847	
Interest	<u>40</u>	
Total additions		<u>14,887</u>
Deductions:		
Support services:		
Scholarships awarded		2,250
Other		<u>9,718</u>
		<u>11,968</u>
Change in fiduciary net position		2,919
Fiduciary net position beginning of year		<u>151,502</u>
Fiduciary net position end of year		<u>\$ 154,421</u>
See notes to financial statements.		

# MURRAY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### 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

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 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 government-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 main 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor 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 position and changes in net position. 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.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-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 District 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 the 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 position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances, in that order.

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 funds are 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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 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 receivable is recognized in the governmental 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 government-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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity  
(continued)

Long-term Liabilities – In the government-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 Position.

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, 2015.

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

Deferred Inflows Of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 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 ensure 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.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>541,788</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 AAAM by Standard & Poor's Financial Services.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>80,169</u>

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

Note 4. Interfund Receivables/Payables

At June 30, 2015, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - School Nutrition	\$ <u>13,397</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,520	\$ -	\$ -	\$ 51,520
Construction in progress	1,957,934	900,648	2,858,582	-
Total capital assets not being depreciated	<u>2,009,454</u>	<u>900,648</u>	<u>2,858,582</u>	<u>51,520</u>
Capital assets being depreciated:				
Buildings	2,511,924	2,858,582	-	5,370,506
Improvements other than buildings	418,885	7,690	-	426,575
Furniture and equipment	751,382	90,524	8,599	833,307
Total capital assets being depreciated	<u>3,682,191</u>	<u>2,956,796</u>	<u>8,599</u>	<u>6,630,388</u>
Less accumulated depreciation for:				
Buildings	1,340,936	117,241	-	1,458,177
Improvements other than buildings	118,427	19,410	-	137,837
Furniture and equipment	696,473	41,567	8,599	729,441
Total accumulated depreciation	<u>2,155,836</u>	<u>178,218</u>	<u>8,599</u>	<u>2,325,455</u>
Total capital assets being depreciated, net	<u>1,526,355</u>	<u>2,778,578</u>	<u>-</u>	<u>4,304,933</u>
Governmental activities capital assets, net	<u>\$ 3,535,809</u>	<u>\$ 3,679,226</u>	<u>\$ 2,858,582</u>	<u>\$ 4,356,453</u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 117,386	\$ 12,758	\$ 1,483	\$ 128,661
Less accumulated depreciation	57,991	9,550	1,483	66,058
Business-type activities capital assets, net	<u>\$ 59,395</u>	<u>\$ 3,208</u>	<u>\$ -</u>	<u>\$ 62,603</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 13,050

Support services:

Administration 1,654

Operation and maintenance of plant 429

Transportation 26,434

41,567

Unallocated depreciation 136,651

Total depreciation expense - governmental activities \$ 178,218

Business-type activities:

Food service operations \$ 9,550

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,965,000	\$ -	\$ 90,000	\$ 1,875,000	\$ 90,000
Revenue bonds	700,000	-	65,000	635,000	65,000
Net pension liability	1,722,453	-	472,370	1,250,083	-
Net OPEB liability	8,400	1,100	-	9,500	-
Total	<u>\$ 4,395,853</u>	<u>\$ 1,100</u>	<u>\$ 627,370</u>	<u>\$ 3,769,583</u>	<u>\$ 155,000</u>
Business-type activities:					
Net pension liability	<u>\$ 51,709</u>	<u>\$ -</u>	<u>\$ 14,826</u>	<u>\$ 36,883</u>	<u>\$ -</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated June 1, 2013			
	Interest Rates	Principal	Interest	Total
2016	0.70 %	\$ 90,000	\$ 38,733	\$ 128,733
2017	0.85	90,000	38,102	128,102
2018	1.00	95,000	37,338	132,338
2019	1.15	95,000	36,387	131,387
2020	1.35	95,000	35,295	130,295
2021	1.50	95,000	34,012	129,012
2022	1.65	95,000	32,588	127,588
2023	1.75	100,000	31,020	131,020
2024	1.85	100,000	29,270	129,270
2025	2.15	100,000	27,420	127,420
2026	2.45	105,000	25,270	130,270
2027	2.60	105,000	22,697	127,697
2028	2.65	110,000	19,967	129,967
2029	2.75	115,000	17,053	132,053
2030	2.80	115,000	13,890	128,890
2031	2.85	120,000	10,670	130,670
2032	2.90	125,000	7,250	132,250
2033	2.90	125,000	3,625	128,625
		<u>\$ 1,875,000</u>	<u>\$ 460,587</u>	<u>\$ 2,335,587</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.31 %	\$ 65,000	\$ 13,918	\$ 78,918
2017	2.31	65,000	12,416	77,416
2018	2.31	70,000	10,857	80,857
2019	2.31	70,000	9,240	79,240
2020	2.31	70,000	7,623	77,623
2021	2.31	70,000	6,006	76,006
2022	2.31	75,000	4,331	79,331
2023	2.31	75,000	2,599	77,599
2024	2.31	75,000	866	75,866
		<u>\$ 635,000</u>	<u>\$ 67,856</u>	<u>\$ 702,856</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$700,000 bonds issued in 2014. The bonds were issued for the purpose of financing a portion of the costs of construction of and furnishing a building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 31 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$702,856. For the current year, principal of \$65,000 and interest of \$15,419 was paid on the bonds and total statewide sales, services and use tax revenues were \$256,240.

Note 7. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$197,978.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$1,286,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s proportion was 0.0324507 percent, which was an increase of 0.001551 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$96,326. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,987	\$ -
Changes of assumptions	56,797	-
Net difference between projected and actual earnings on pension plan investments	-	490,812
Changes in proportion and differences between District contributions and proportionate share of contributions	21,187	-
District contributions subsequent to the measurement date	<u>197,979</u>	<u>-</u>
Total	<u>\$ 289,950</u>	<u>\$ 490,812</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

\$197,979 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2016	\$	(101,215)
2017		(101,215)
2018		(101,215)
2019		(101,215)
2020		<u>6,019</u>
Total	\$	<u><u>(398,841)</u></u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,431,685	\$ 1,286,966	\$ 320,704

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 27 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. 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.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 9,641
Interest on net OPEB obligation	378
Adjustment to annual required contribution	<u>286</u>
Annual OPEB cost	9,733
Contributions made	<u>8,633</u>
Increase in net OPEB obligation	1,100
Net OPEB obligation beginning of year	<u>8,400</u>
Net OPEB obligation end of year	<u><u>\$ 9,500</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, 2015.

For the year ended June 30, 2015, the District contributed \$8,633 to the medical plan.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 9,838	87.5%	\$ 7,320
2014	9,684	88.8%	8,400
2015	9,733	88.7%	9,500

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$89,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$89,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,223,000, and the ratio of the UAAL to covered payroll was 4.0%. As of June 30, 2015, there were no trust fund assets.

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, 2012 actuarial valuation date, the entry age actuarial cost 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 2%. The ultimate medical trend rate is 6%. The medical trend rate is adjusted each year accordingly to match the rates as noted by the National Health Care Expenditures Projections of the Office of the Actuaries at the Centers for Medicare and Medicaid Services in 2007.

Mortality rates are from the Life Expectancy Table from the National Center for Health Statistics, updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from table I 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.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Risk Management

The 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 10. 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 \$111,952 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four year old preschool state aid	\$ 46,931
Professional development	35,998
Returning dropouts and dropout prevention programs	30,103
Successful progression for early readers	20,938
At-risk program	18,652
Professional development for model core curriculum	15,463
Teacher salary supplement	11,420
Empowerment professional development grant	2,000
Teachers mentoring program	1,346
Teacher leadership grants	346
Administrator mentoring program	<u>143</u>
Total	<u>\$ 183,340</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,168,629	\$ 180,588
Net pension liability at June 30, 2014	(1,722,453)	(51,709)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>184,096</u>	<u>5,527</u>
Net position July 1, 2014, as restated	\$ <u><u>2,630,272</u></u>	\$ <u><u>134,406</u></u>

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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, 2015

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 1,880,881	\$ 75,823	\$ 1,956,704	\$ 1,736,485	\$ 220,219
Intermediate sources	250	-	250	-	250
State sources	2,100,523	1,892	2,102,415	2,152,010	(49,595)
Federal sources	126,535	129,115	255,650	260,000	(4,350)
<b>Total revenues</b>	<b>4,108,189</b>	<b>206,830</b>	<b>4,315,019</b>	<b>4,148,495</b>	<b>166,524</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	2,246,199	-	2,246,199	3,070,000	823,801
Support services	1,265,459	-	1,265,459	1,621,907	356,448
Non-instructional programs	-	214,707	214,707	325,000	110,293
Other expenditures	1,301,866	-	1,301,866	1,520,180	218,314
<b>Total expenditures/expenses</b>	<b>4,813,524</b>	<b>214,707</b>	<b>5,028,231</b>	<b>6,537,087</b>	<b>1,508,856</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(705,335)	(7,877)	(713,212)	(2,388,592)	1,675,380
Other financing sources, net	4,358	-	4,358		4,358
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(700,977)	(7,877)	(708,854)	(2,388,592)	1,679,738
Balance beginning of year, as restated	3,210,530	134,406	3,344,936	3,233,888	111,048
Balance end of year	<u>\$ 2,509,553</u>	<u>\$ 126,529</u>	<u>\$ 2,636,082</u>	<u>\$ 845,296</u>	<u>\$ 1,790,786</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2015

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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, 2015, expenditures/expenses did not exceed the amounts budgeted.

MURRAY COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.0324507
District's proportionate share of the net pension liability	\$ 1,287
District's covered-employee payroll	\$ 2,217
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.05%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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MURRAY COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 198	\$ 190	\$ 176	\$ 159
Contributions in relation to the statutorily required contribution	<u>198</u>	<u>190</u>	<u>176</u>	<u>159</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,217	\$ 2,123	\$ 2,027	\$ 1,965
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 127	\$ 120	\$ 115	\$ 101	\$ 95	\$ 91
127	120	115	101	95	91
<u>\$ -</u>					
\$ 1,832	\$ 1,809	\$ 1,810	\$ 1,676	\$ 1,659	\$ 1,596
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 99	\$ 99	0.0%	\$ 1,757	5.6%
2011	July 1, 2009	-	99	99	0.0%	1,861	5.3%
2012	July 1, 2009	-	99	99	0.0%	1,980	5.0%
2013	July 1, 2012	-	89	89	0.0%	2,028	4.4%
2014	July 1, 2012	-	89	89	0.0%	2,140	4.2%
2015	July 1, 2012	-	89	89	0.0%	2,223	4.0%

See note 8 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.

See accompanying independent auditor's report.

Supplementary Information

## MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash and pooled investments	\$ 153,494	\$ 181,544	\$ 74,421	\$ 409,459
Receivables:				
Property tax:				
Current year	1,029	-	2,693	3,722
Succeeding year	50,000	-	129,233	179,233
Total assets	<u>\$ 204,523</u>	<u>\$ 181,544</u>	<u>\$ 206,347</u>	<u>\$ 592,414</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,278	\$ -	\$ 1,278
Salaries and benefits payable	-	186	-	186
Total liabilities	<u>-</u>	<u>1,464</u>	<u>-</u>	<u>1,464</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	50,000	-	129,233	179,233
Fund balances:				
Restricted for:				
Debt service	-	-	77,114	77,114
Management levy purposes	154,523	-	-	154,523
Student activities	-	180,080	-	180,080
Total fund balances	<u>154,523</u>	<u>180,080</u>	<u>77,114</u>	<u>411,717</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 204,523</u>	<u>\$ 181,544</u>	<u>\$ 206,347</u>	<u>\$ 592,414</u>

See accompanying independent auditor's report.

## MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 50,072	\$ -	\$ 130,962	\$ 181,034
Other	3,262	126,158	-	129,420
State sources	24	-	64	88
Total revenues	<u>53,358</u>	<u>126,158</u>	<u>131,026</u>	<u>310,542</u>
Expenditures:				
Current:				
Instruction	25,648	107,519	-	133,167
Support services:				
Operation and maintenance of plant	10,017	-	-	10,017
Other expenditures:				
Long term debt:				
Principal	-	-	155,000	155,000
Interest and fiscal charges	-	-	56,442	56,442
Total expenditures	<u>35,665</u>	<u>107,519</u>	<u>211,442</u>	<u>354,626</u>
Excess (deficiency) of revenues over (under) expenditures	17,693	18,639	(80,416)	(44,084)
Other financing sources:				
Interfund transfers in	-	-	80,169	80,169

MURRAY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Net change in fund balances	\$ 17,693	\$ 18,639	\$ (247)	\$ 36,085
Fund balances beginning of year	<u>136,830</u>	<u>161,441</u>	<u>77,361</u>	<u>375,632</u>
Fund balances end of year	<u>\$ 154,523</u>	<u>\$ 180,080</u>	<u>\$ 77,114</u>	<u>\$ 411,717</u>

See accompanying independent auditor's report.

## MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 115,306	\$ 22,804	\$ 138,110
Receivables:			
Property tax:			
Current year	-	397	397
Succeeding year	-	19,743	19,743
Due from other governments	39,813	-	39,813
 Total assets	 \$ 155,119	 \$ 42,944	 \$ 198,063
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	19,743	19,743
 Fund balances:			
Restricted for:			
School infrastructure	155,119	-	155,119
Physical plant and equipment	-	23,201	23,201
Total fund balances	155,119	23,201	178,320
 Total liabilities, deferred inflows of resources and fund balances	 \$ 155,119	 \$ 42,944	 \$ 198,063

See accompanying independent auditor's report.

## MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 19,289	\$ -	\$ 19,289
Other	319	-	-	319
State sources	256,240	9	-	256,249
Total revenues	256,559	19,298	-	275,857
Expenditures:				
Current:				
Support services:				
Instructional staff	12,338	-	-	12,338
Transportation	80,851	-	-	80,851
Other expenditures:				
Facilities acquisition	701,642	5,283	271,547	978,472
Total expenditures	794,831	5,283	271,547	1,071,661
Excess (deficiency) of revenues over (under) expenditures	(538,272)	14,015	(271,547)	(795,804)
Other financing uses:				
Interfund transfers out	(80,169)	-	-	(80,169)
Net change in fund balances	(618,441)	14,015	(271,547)	(875,973)
Fund balances beginning of year	773,560	9,186	271,547	1,054,293
Fund balances end of year	\$ 155,119	\$ 23,201	\$ -	\$ 178,320

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Mentor Groups	\$ 1,106	\$ -	\$ -	\$ 1,106
Elementary Student Council	612	-	146	466
Athletics	17,410	5,190	4,483	18,117
Band/Vocal Resale	430	520	546	404
Class of:				
2012	68	-	-	68
2013	2,664	-	-	2,664
2014	66	-	-	66
2015	2,872	6,335	7,768	1,439
2016	683	12,677	10,452	2,908
2017	(15)	1,000	500	485
2018	57	25	-	82
Past Graduates	23	-	-	23
Fruit Sales	179	21,673	13,492	8,360
Basketball Camp	729	3,468	3,520	677
Programs Fund	181	-	-	181
Concession Supplies	6,346	2,391	2,350	6,387
Physics Club	6,551	3,215	5,861	3,905
All School Fundraisers	4,492	-	-	4,492
FFA	8,633	7,472	9,197	6,908
FFA Soils Kit Fund	6,672	800	-	7,472
FHA	7,866	2,361	3,188	7,039
FNA	718	119	201	636
Book Fair	1,875	-	-	1,875
Miscellaneous Athletics	1,683	19	371	1,331
Student Council	3,968	2,044	1,677	4,335
Drama	2,772	3,540	1,561	4,751
Picture Fund	676	150	-	826
French Club	2,603	827	601	2,829
Student Council Pop	901	594	1,495	-
Supplies	1,150	-	-	1,150
Baseball/Softball	(14,050)	8,847	6,176	(11,379)
Basketball	25,735	9,196	4,897	30,034
Football	15,887	5,688	3,842	17,733
Track	258	1,327	1,799	(214)
Volleyball	13	4,809	5,235	(413)
Interest	2,869	271	407	2,733
Yearbook	9,858	3,040	5,821	7,077
TAG Club	1,919	224	-	2,143

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
After Prom	\$ 2,390	\$ 4,940	\$ 3,613	\$ 3,717
FBLA	94	-	-	94
Vocal Music - Trips	1,087	2,645	2,092	1,640
Weightlifting	47	-	-	47
Wrestling	55	-	-	55
Swim Fund	7,868	1,650	405	9,113
Character Counts	2,327	1,484	121	3,690
Mustang Pride	483	-	55	428
Co-Curricular Activity Fund	(243)	5,568	5,194	131
Student Council Ice Cream	13,466	-	-	13,466
Student Flower Fund	2,452	-	37	2,415
Art Club	-	1,123	-	1,123
National Honor Society	-	134	134	-
Elementary Apparel Fund	1,017	-	102	915
Gate Change	(500)	300	100	(300)
Preschool Fundraising	1,900	4,063	3,651	2,312
Elementary Trips	1,107	-	-	1,107
Elementary Fundraiser	1,431	-	-	1,431
Less: Intrafund Transfers	-	(3,571)	(3,571)	-
<b>Total</b>	<b>\$ 161,441</b>	<b>\$ 126,158</b>	<b>\$ 107,519</b>	<b>\$ 180,080</b>

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MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 950,156	\$ 937,162	\$ 1,088,150	\$ 1,161,960
Tuition	643,537	608,797	454,255	453,963
Other	287,188	354,002	467,318	293,472
Intermediate sources	250	-	755	811
State sources	2,100,523	2,023,742	1,771,146	1,691,348
Federal sources	126,535	132,886	116,814	215,845
<b>Total revenues</b>	<b>\$ 4,108,189</b>	<b>\$ 4,056,589</b>	<b>\$ 3,898,438</b>	<b>\$ 3,817,399</b>
<b>Expenditures:</b>				
Instruction	\$ 2,246,199	\$ 2,237,997	\$ 2,209,054	\$ 2,055,492
Support services:				
Student	88,855	96,906	94,118	96,141
Instructional staff	129,914	146,877	160,568	94,086
Administration	483,877	457,539	616,785	425,429
Operation and maintenance of plant	321,593	302,079	246,572	267,474
Transportation	241,220	163,232	172,203	145,745
Other expenditures:				
Facilities acquisition	978,472	2,225,655	154,425	170,520
Long-term debt:				
Principal	155,000	120,000	60,000	80,000
Interest and fiscal charges	56,442	47,581	2,940	5,240
AEA flowthrough	111,952	111,880	106,725	107,445
<b>Total expenditures</b>	<b>\$ 4,813,524</b>	<b>\$ 5,909,746</b>	<b>\$ 3,823,390</b>	<b>\$ 3,447,572</b>

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	1,002,218	\$ 938,014	\$ 965,624	\$ 923,796	\$ 938,438	\$ 916,999
	463,404	444,997	347,215	273,297	266,003	283,044
	259,571	186,966	218,718	305,064	329,219	310,845
	873	3,557	3,518	2,958	1,486	-
	1,891,338	1,499,803	1,607,037	1,580,222	1,502,405	1,458,141
	203,461	298,474	207,417	125,508	117,215	144,928
\$	<u>3,820,865</u>	<u>3,371,811</u>	<u>3,349,529</u>	<u>3,210,845</u>	<u>3,154,766</u>	<u>3,113,957</u>
\$	2,102,658	\$ 2,080,493	\$ 2,166,382	\$ 1,973,850	\$ 1,900,248	\$ 1,852,077
	96,679	108,755	101,142	96,139	89,890	99,938
	117,427	84,741	104,112	130,641	125,446	74,707
	359,702	408,071	353,802	342,572	363,899	348,030
	236,142	254,411	292,718	267,602	236,628	293,685
	143,524	136,994	210,415	161,878	148,553	188,321
	171,520	33,309	51,356	78,895	111,666	133,197
	80,000	80,000	75,000	75,000	75,000	70,000
	8,120	10,630	12,880	14,905	16,705	22,175
	121,611	112,442	99,389	95,623	93,108	90,268
\$	<u>3,437,383</u>	<u>3,309,846</u>	<u>3,467,196</u>	<u>3,237,105</u>	<u>3,161,143</u>	<u>3,172,398</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE 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 in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Murray Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance

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, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 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 the Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
November 2, 2015

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-15 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-15 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	\$350
Marla Jeter, Spouse of Board President Dennis Jeter	Cook	\$1,873
Ryan Robins, owner of Robins Lawn Care, brother of Board Member Trevor Robins	Lawn care	\$9,505

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member does not appear to represent a conflict of interest because the total did not exceed \$2,500 for the fiscal year. In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions with the board President’s spouse and Board member’s brother do not appear to represent conflicts of interest.

- II-E-15 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 ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-15 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.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

- II-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 773,560
Revenues:		
Interest	\$ 319	
Statewide sales, services and use tax	<u>256,240</u>	256,559
Expenditures/transfers out:		
School infrastructure construction	701,642	
Equipment	93,189	
Transfers to other funds:		
Debt Service Fund	<u>80,169</u>	<u>875,000</u>
Ending balance		<u><u>\$ 155,119</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

II-M-15 Financial Condition – The Special Revenue, Student Activity Fund had some individual account deficit balances at June 30, 2015.

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.