

**MURRAY INDEPENDENT SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Murray Independent School District  
Murray, Kentucky

### 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 Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Murray Independent School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 53-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Murray Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

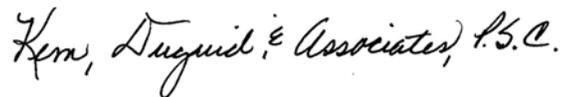
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of Murray Independent 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Independent School District's internal control over financial reporting and compliance.

Kem, Duguid & Associates, P.S.C.

A handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C.".

Certified Public Accountants  
Hopkinsville, Kentucky

November 11, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Murray Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$8,412,494, as compared with the beginning cash balance of \$8,232,543. The ending cash balance consists of General Fund of \$3,647,469, Special Revenue of \$(49,511), Construction Fund \$583,721, Facility Support Program (FSPK) Fund of \$2,126,711, Capital Outlay of \$335,300, School Food Service Fund of \$184,127, Daycare Fund of \$499,986, School Activity Funds of \$248,847, Agency Fund (Head Start) of \$89,666, Career and Technical Center \$599,996 and the Private Purpose Trust Fund of \$146,181.
- Total government-wide net position increased by \$558,581 for the fiscal year ended June 30, 2013. Total long-term obligations had a net decrease of \$796,961, while the unrestricted net assets decreased \$276,186 and restricted assets increased \$428,774.
- The General Fund had \$10,998,207 in revenues, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased in comparison to prior year of \$10,543,566. Excluding interfund transfers, there were \$11,148,654 in General Fund expenditures. This compares to \$11,685,231 in General Fund expenditures for the prior year.
- The District is in the process of constructing a new physical education facility to be attached to Murray High School with an estimated cost of \$1,250,000. The estimated completion date is January 2014.
- The District remains committed to maintaining competitive teacher salaries, which exceed the state minimum requirements.
- The financial statements reflect a total of \$2,392,555 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance and technology. A like amount of expenses are also recorded in the financial statements.

**MURRAY INDEPENDENT SCHOOL DISTRICT– MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 the District’s assets and deferred outflows of resources and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

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

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

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 (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can be 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and day care. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 57.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$12,098,246 as of June 30, 2013.

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2013 and 2012:

**Net Position for the Fiscal Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		District Total	
	2013	2012	2013	2012	2013	2012
Current assets and other assets	\$ 6,991,641	\$ 7,031,145	\$ 734,712	633,108	\$ 7,726,353	\$ 7,664,253
Capital assets	13,715,312	14,065,966	88,159	116,513	13,803,471	14,182,479
<b>Total assets</b>	<b>20,706,953</b>	<b>21,097,111</b>	<b>822,871</b>	<b>749,621</b>	<b>21,529,824</b>	<b>21,846,732</b>
Current liabilities	953,437	945,613	11	333	953,448	945,946
Noncurrent liabilities	8,564,160	9,361,121	-	-	8,564,160	9,361,121
<b>Total liabilities</b>	<b>9,517,597</b>	<b>10,306,734</b>	<b>11</b>	<b>333</b>	<b>9,517,608</b>	<b>10,307,067</b>
Investment in capital assets, net of related debt	4,547,507	4,113,160	88,159	116,513	4,635,666	4,229,673
Restricted	3,045,732	2,616,958	-	-	3,045,732	2,616,958
Unrestricted	3,682,147	4,060,259	734,701	632,775	4,416,848	4,693,034
<b>Total net position</b>	<b>\$ 11,275,386</b>	<b>\$ 10,790,377</b>	<b>\$ 822,860</b>	<b>\$ 749,288</b>	<b>\$ 12,098,246</b>	<b>\$ 11,539,665</b>

**Changes in net position.** The District’s governmental activities net position increased by \$485,009 including the effect of adopting GASB 65 \$(210,086) and business-type activities net position increased \$73,572.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net assets from the direct payment of principal by the SFCC of \$65,110. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net assets on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

Following is a summary schedule changes in the District’s net position for the years ended June 30, 2013 and 2012:

**Changes in Net Position for the Fiscal Years Ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		District Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 158,570	\$ 155,934	\$ 537,917	\$ 605,866	\$ 696,487	\$ 761,800
Operating grants and contributions	5,887,865	6,055,657	476,477	424,197	6,364,342	6,479,854
Capital grants and contributions	80,423	80,423	-	-	80,423	80,423
General revenues:						
Property taxes	2,445,806	2,294,452	-	-	2,445,806	2,294,452
Other taxes	1,342,115	1,330,521	-	-	1,342,115	1,330,521
State aid	5,936,081	5,505,767	68,870	70,095	6,004,951	5,575,862
Investment earnings	85,502	77,581	2,014	1,390	87,516	78,971
Other	264,399	344,265	(1,610)	(33)	262,789	344,232
<b>Total revenues</b>	<b>16,200,761</b>	<b>15,844,600</b>	<b>1,083,668</b>	<b>1,101,515</b>	<b>17,284,429</b>	<b>16,946,115</b>
<b>Expenses:</b>						
Instruction	10,824,519	10,882,375	-	-	10,824,519	10,882,375
Student support services	583,700	568,663	-	-	583,700	568,663
Instructional support	712,235	679,110	-	-	712,235	679,110
District administration	922,243	969,812	-	-	922,243	969,812
School administration	681,697	663,792	-	-	681,697	663,792
Business support	337,796	(10,044)	-	-	337,796	(10,044)
Plant operation and maintenance	678,087	1,620,994	-	-	678,087	1,620,994
Student transportation	324,840	341,185	-	-	324,840	341,185
Community service activities	179,770	118,309	-	-	179,770	118,309
Interest on long-term debt	260,779	787,847	-	-	260,779	787,847
Other	-	29,259	-	-	-	29,259
Food service	-	-	857,614	896,966	857,614	896,966
Day care	-	-	152,482	164,226	152,482	164,226
<b>Total expenses</b>	<b>15,505,666</b>	<b>16,651,302</b>	<b>1,010,096</b>	<b>1,061,192</b>	<b>16,515,762</b>	<b>17,712,494</b>
Increase (Decrease) in net position	<b>\$ 695,095</b>	<b>\$ (806,702)</b>	<b>\$ 73,572</b>	<b>\$ 40,323</b>	<b>\$ 768,667</b>	<b>\$ (766,379)</b>

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$6,891,071, an increase of \$216,503 from the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2013 and 2012.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

Following is a summary of fund balances for the fiscal years ended June 30, 2013 and 2012:

**Governmental Funds Balances as of June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<b>Governmental Funds</b>			
General Fund	\$ 3,845,339	\$ 4,119,967	\$ (274,628)
Special Revenue Fund	-	-	-
Building Fund	2,126,711	2,198,289	(71,578)
Construction	583,721	12,274	571,447
Capital Outlay	335,300	340,850	(5,550)
Debt Service Fund	-	3,188	(3,188)
	<u>\$ 6,891,071</u>	<u>\$ 6,674,568</u>	<u>\$ 216,503</u>
<b>Proprietary Funds</b>			
Food Service Fund	\$ 311,869	\$ 292,810	\$ 19,059
Day Care Fund	510,991	456,478	54,513
	<u>\$ 822,860</u>	<u>\$ 749,288</u>	<u>\$ 73,572</u>
<b>Fiduciary Funds</b>			
School Activity Funds	\$ 248,847	\$ 232,776	\$ 16,071
Head Start	-	-	-
Career and Technical Center	-	-	-
	<u>\$ 248,847</u>	<u>\$ 232,776</u>	<u>\$ 16,071</u>
<b>Trust and Agency</b>	<u>\$ 147,361</u>	<u>\$ 144,157</u>	<u>\$ 3,204</u>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,655,734, while total fund balance reached \$3,845,339. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 23.82% of total General Fund expenditures, while total fund balance represents 34.49% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$274,628. This decrease in total fund balances was primarily due to the transfer of funds into the Construction Fund for the construction of the new physical education facility at Murray High School. Revenues and transfers totaling \$11,114,245 increased by \$367,008, while expenditures and transfers totaling \$11,388,873, decreased by \$321,998.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with \$1,502,890 in contingency (12.47%). Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$2,211,806 of state payments on-behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2013, net of interfund transfers, beginning balances, and on-behalf payments, were \$8,786,401; compared to the total budgeted revenues of \$7,826,454.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2013, net of interfund transfers and on-behalf payments, were \$8,936,848; compared to the total budgeted expenditures, net of contingency (\$1,502,890), of \$10,398,967.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local, and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation.

Funds 310 and 320 are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The State contributes to those funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2013, the District (excluding Head Start) had \$13,803,471 invested in capital assets net of depreciation: historical costs totaled \$24,459,882 with accumulated depreciation totaling \$10,656,411. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. The amount of \$688,452 was expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$973,581, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**MURRAY INDEPENDENT SCHOOL DISTRICT – MURRAY, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2013 and 2012.

**Net Capital Assets for the Fiscal Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>District Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 891,030	\$ 413,644	\$ -	\$ -	\$ 891,030	\$ 413,644
Construction in progress	135,471	-	-	-	135,471	-
Land improvements	699,443	744,788	-	-	699,443	744,788
Building and improvements	11,350,293	11,964,053	-	-	11,350,293	11,964,053
Technology equipment	322,583	458,866	2,497	5,635	325,080	464,501
Vehicles	74,635	110,364	-	-	74,635	110,364
Other	241,857	283,242	85,662	110,878	327,519	394,120
<b>Total</b>	<b>\$ 13,715,312</b>	<b>\$ 13,974,957</b>	<b>\$ 88,159</b>	<b>\$ 116,513</b>	<b>\$ 13,803,471</b>	<b>\$ 14,091,470</b>

**Long-Term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2013 were \$9,140,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payments under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$778,087 of the bonds leaving the District to pay \$9,449,692. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the State. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District Finance Officer (270.753.4363) or by mail at 208 South 13<sup>th</sup> Street, Murray, Kentucky 42071.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,643,690	\$ 684,113	\$ 7,327,803
Accounts receivable:			
Taxes	191,885	-	191,885
Other	38,736	26,619	65,355
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	117,330	-	117,330
Inventory	-	23,980	23,980
Bond discount	86,030		86,030
Capital assets:			
Non-depreciable	1,026,501	-	1,026,501
Depreciable (net)	12,688,811	88,159	12,776,970
	<u>20,792,983</u>	<u>822,871</u>	<u>21,615,854</u>
<b>LIABILITIES</b>			
Accounts payable	32,774	11	32,785
Unearned revenue	67,796	-	67,796
Accrued interest	58,218	-	58,218
Compensated absences	-	-	-
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	785,000	-	785,000
Leases payable	9,649	-	9,649
Portion due or payable after one year:			
Bonds payable	8,367,793	-	8,367,793
Leases payable	5,363	-	5,363
Compensated absences	191,004	-	191,004
	<u>9,517,597</u>	<u>11</u>	<u>9,517,608</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,547,507	88,159	4,635,666
Restricted for:			
SFCC	2,126,711	-	2,126,711
Construction	919,021	-	919,021
Unrestricted	3,682,147	734,701	4,416,848
	<u>\$ 11,275,386</u>	<u>\$ 822,860</u>	<u>\$ 12,098,246</u>

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
<b>Governmental Activities:</b>					
<b>Current:</b>					
Instruction	\$ 10,824,519	\$ -	\$ 4,936,138	\$ -	\$ (5,888,381)
Student services:					
Student	583,700	158,570	224,109	-	(201,021)
Instructional staff	712,235	-	285,244	-	(426,991)
District administration	922,243	-	66,090	-	(856,153)
School administration	681,697	-	115,608	-	(566,089)
Business	337,796	-	49,493	-	(288,303)
Plant operation and maintenance	678,087	-	59,005	-	(619,082)
Student transportation	324,840	-	32,198	-	(292,642)
Community service activities	179,770	-	119,980	-	(59,790)
Facilities acquisition and construction	-	-	-	-	-
Interest on long-term debt	260,779	-	-	80,423	(180,356)
Other	-	-	-	-	-
<b>Total governmental activities</b>	<b>15,505,666</b>	<b>158,570</b>	<b>5,887,865</b>	<b>80,423</b>	<b>(9,378,808)</b>
<b>Business-Type Activities:</b>					
Food service	857,614	346,581	476,477	-	(34,556)
Day care services	152,482	191,336	-	-	38,854
<b>Total business-type activities</b>	<b>1,010,096</b>	<b>537,917</b>	<b>476,477</b>	<b>-</b>	<b>4,298</b>
<b>Total activities</b>	<b>\$ 16,515,762</b>	<b>\$ 696,487</b>	<b>\$ 6,364,342</b>	<b>\$ 80,423</b>	<b>\$ (9,374,510)</b>
<b>Changes in Net Position</b>					
Net revenues (expenses)			<b>\$ (9,378,808)</b>	<b>\$ 4,298</b>	<b>\$ (9,374,510)</b>
<b>General Revenues</b>					
Taxes:					
Property			2,445,806	-	2,445,806
Motor vehicle			252,639	-	252,639
Utilities			900,366	-	900,366
Other			189,110	-	189,110
Investment earnings			85,502	2,014	87,516
State grants			5,936,081	68,870	6,004,951
Gain (loss) on sale of fixed assets			14,342	(1,610)	12,732
Miscellaneous			250,057	-	250,057
<b>Total general revenues</b>			<b>10,073,903</b>	<b>69,274</b>	<b>10,143,177</b>
<b>Change in net position</b>			<b>695,095</b>	<b>73,572</b>	<b>768,667</b>
<b>Net position, July 1, 2012</b>			<b>10,790,377</b>	<b>749,288</b>	<b>11,539,665</b>
<b>Effect of Adoption of GASB 65</b>			<b>(210,086)</b>	<b>-</b>	<b>(210,086)</b>
<b>Net position, July 1, 2012, adjusted</b>			<b>10,580,291</b>	<b>749,288</b>	<b>11,329,579</b>
<b>Net position, June 30, 2013</b>			<b>\$ 11,275,386</b>	<b>\$ 822,860</b>	<b>\$ 12,098,246</b>

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Special Revenue Fund	Facility Support Program (FSPK) Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,647,469	\$ (49,511)	\$ 2,126,711	\$ 919,021	\$ 6,643,690
Accounts receivable:					
Taxes	191,885	-	-	-	191,885
Other	38,736	-	-	-	38,736
Intergovernmental - state	-	-	-	-	-
Intergovernmental - indirect federal	-	117,330	-	-	117,330
<b>Total assets</b>	<b><u>\$ 3,878,090</u></b>	<b><u>\$ 67,819</u></b>	<b><u>\$ 2,126,711</u></b>	<b><u>\$ 919,021</u></b>	<b><u>\$ 6,991,641</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 32,751	\$ 23	\$ -	\$ -	\$ 32,774
Accrued sick leave payable	-	-	-	-	-
Unearned revenue	-	67,796	-	-	67,796
<b>Total liabilities</b>	<b><u>32,751</u></b>	<b><u>67,819</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>100,570</u></b>
Fund balances					
Nonspendable	19,618	-	-	-	19,618
Spendable:					
Restricted	-	-	2,126,711	919,021	3,045,732
Committed	1,068,368	-	-	-	1,068,368
Assigned	101,619	-	-	-	101,619
Unassigned	2,655,734	-	-	-	2,655,734
<b>Total fund balances</b>	<b><u>3,845,339</u></b>	<b><u>-</u></b>	<b><u>2,126,711</u></b>	<b><u>919,021</u></b>	<b><u>6,891,071</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,878,090</u></b>	<b><u>\$ 67,819</u></b>	<b><u>\$ 2,126,711</u></b>	<b><u>\$ 919,021</u></b>	<b><u>\$ 6,991,641</u></b>

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total fund balance per fund financial statements		\$ 6,891,071
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$24,068,060 and the accumulated depreciation is \$10,352,748.		13,715,312
Certain assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		86,030
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	(9,140,000)	
Bond premium	(12,793)	
Capital lease obligations	(15,012)	
Interest payable on bonds	(58,218)	
Noncurrent portion of accumulated sick leave	(191,004)	(9,417,027)
Net position for governmental activities		\$ 11,275,386

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Special Revenue Fund	Facility Support Program (FSPK) Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
From local sources:					
Taxes					
Property	\$ 1,703,363	\$ -	\$ 742,443	\$ -	\$ 2,445,806
Motor vehicle	252,639	-	-	-	252,639
Utilities	900,366	-	-	-	900,366
Other	189,110	-	-	-	189,110
Tuition and fees	158,570	-	-	-	158,570
Earnings on investments	58,591	-	23,384	3,527	85,502
Other local revenues	215,677	34,380	-	-	250,057
Intergovernmental - state	7,519,891	510,287	490,636	217,782	8,738,596
Intergovernmental - federal	-	3,165,773	-	-	3,165,773
<b>Total revenues</b>	<b>10,998,207</b>	<b>3,710,440</b>	<b>1,256,463</b>	<b>221,309</b>	<b>16,186,419</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instruction	6,760,983	3,299,406	-	-	10,060,389
Support services:					
Student	460,988	122,629	-	-	583,617
Instructional staff	524,599	187,344	-	-	711,943
District administration	898,384	20,000	-	-	918,384
School administration	674,567	-	-	-	674,567
Business	336,796	-	-	-	336,796
Plant operations and maintenance	1,106,368	-	-	-	1,106,368
Student transportation	294,183	-	-	-	294,183
Community service activities	19,409	102,087	-	58,274	179,770
Facilities acquisition and construction	-	-	-	135,471	135,471
Other facilities	-	-	-	-	-
Debt service	72,377	-	-	911,653	984,030
<b>Total expenditures</b>	<b>11,148,654</b>	<b>3,731,466</b>	<b>-</b>	<b>1,105,398</b>	<b>15,985,518</b>
<b>Excess (deficit) of revenues   over (under) expenditures</b>	<b>(150,447)</b>	<b>(21,026)</b>	<b>1,256,463</b>	<b>(884,089)</b>	<b>200,901</b>
<b>Other financing sources (uses)</b>					
Proceeds from sale of fixed assets	15,602	-	-	-	15,602
Bond proceeds for refunding bonds, net	-	-	-	-	-
Payment to refunded bonds redeemed	-	-	-	-	-
Accrued interest on refunding	-	-	-	-	-
Operating transfers in	100,436	21,026	-	1,593,234	1,714,696
Operating transfers out	(240,219)	-	(1,328,041)	(146,436)	(1,714,696)
<b>Total other financing     sources (uses)</b>	<b>(124,181)</b>	<b>21,026</b>	<b>(1,328,041)</b>	<b>1,446,798</b>	<b>15,602</b>
<b>Net changes in fund balances</b>	<b>(274,628)</b>	<b>-</b>	<b>(71,578)</b>	<b>562,709</b>	<b>216,503</b>
<b>Fund balances, July 1, 2012</b>	<b>4,119,967</b>	<b>-</b>	<b>2,198,289</b>	<b>356,312</b>	<b>6,674,568</b>
<b>Fund balances, June 30, 2013</b>	<b>\$ 3,845,339</b>	<b>\$ -</b>	<b>\$ 2,126,711</b>	<b>\$ 919,021</b>	<b>\$ 6,891,071</b>

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - Total governmental funds \$ 216,503

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital outlay	688,452	
Depreciation expense	(946,837)	
Net capital outlay	(258,385)	(258,385)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers) is to decrease net position. (1,260)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.

Capital lease payments	13,333	
Bond repayments	770,000	
Total long-term debt repayment	783,333	783,333

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Amortization of bond premium	(57,983)	
Amortization of bond discount	1,668	
Increase in accrued interest payable	9,566	
Increase in compensated absences	1,653	
Net decrease in expenditures	(45,096)	(45,096)
Change in net position - governmental activities		\$ 695,095

See accompanying notes to financial statements

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>School Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 184,127	\$ 499,986	\$ 684,113
Accounts receivable	15,603	11,016	26,619
Inventory	23,980	-	23,980
Total current assets	223,710	511,002	734,712
Noncurrent assets			
Capital assets	391,821	-	391,821
Less: accumulated depreciation	(303,662)	-	(303,662)
Total noncurrent assets	88,159	-	88,159
Total assets	311,869	511,002	822,871
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	11	11
Total current liabilities	-	11	11
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	88,159	-	88,159
Unrestricted	223,710	510,991	734,701
Total net position	\$ 311,869	\$ 510,991	\$ 822,860

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	School Food Service Fund	Day Care Fund	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 346,581	\$ -	\$ 346,581
Day care services	-	191,336	191,336
<b>Total operating revenues</b>	<u>346,581</u>	<u>191,336</u>	<u>537,917</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	383,625	132,362	515,987
Contract services	18,469	-	18,469
Materials and supplies	427,934	11,290	439,224
Depreciation	26,744	-	26,744
Other	842	8,830	9,672
<b>Total operating expenses</b>	<u>857,614</u>	<u>152,482</u>	<u>1,010,096</u>
<b>Operating income (loss)</b>	<u>(511,033)</u>	<u>38,854</u>	<u>(472,179)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	435,762	-	435,762
Donated commodities	40,715	-	40,715
State grants	7,971	-	7,971
State on-behalf payments	45,240	15,659	60,899
Gain (loss) on disposal of assets	(1,610)	-	(1,610)
Interest income	2,014	-	2,014
<b>Total non-operating revenues (expenses)</b>	<u>530,092</u>	<u>15,659</u>	<u>545,751</u>
<b>Change in net position</b>	19,059	54,513	73,572
<b>Net position, July 1, 2012</b>	<u>292,810</u>	<u>456,478</u>	<u>749,288</u>
<b>Net position, June 30, 2013</b>	<u>\$ 311,869</u>	<u>\$ 510,991</u>	<u>\$ 822,860</u>

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	School Food Service Fund	Day Care Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 346,500	\$ -	\$ 346,500
Day care services	-	186,685	186,685
Cash paid to/for:			
Employees	(338,385)	(116,703)	(455,088)
Materials and supplies	(378,549)	(11,390)	(389,939)
Other activities	(19,311)	(8,830)	(28,141)
<b>Net cash provided (used) by operating activities</b>	<u>(389,745)</u>	<u>49,762</u>	<u>(339,983)</u>
<b>Cash flows from noncapital financing activities</b>			
Government grants	<u>443,733</u>	<u>-</u>	<u>443,733</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>443,733</u>	<u>-</u>	<u>443,733</u>
<b>Cash flows from investing activities</b>			
Purchases of fixed assets	-	-	-
Receipt of interest income	<u>2,014</u>	<u>-</u>	<u>2,014</u>
<b>Net cash provided (used) by investing activities</b>	<u>2,014</u>	<u>-</u>	<u>2,014</u>
Net increase (decrease) in cash and cash equivalents	56,002	49,762	105,764
<b>Balances, beginning of year</b>	<u>128,125</u>	<u>450,224</u>	<u>578,349</u>
<b>Balances, end of year</b>	<u><u>\$ 184,127</u></u>	<u><u>\$ 499,986</u></u>	<u><u>\$ 684,113</u></u>

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>School Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (511,033)	\$ 38,854	\$ (472,179)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Depreciation	26,744	-	26,744
Donated commodities	40,715	-	40,715
On-behalf payments	45,240	15,659	60,899
Change in assets and liabilities:			
Accounts receivable	(81)	(4,651)	(4,732)
Inventory	8,892	-	8,892
Accounts payable	(222)	(100)	(322)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (389,745)</u></u>	<u><u>\$ 49,762</u></u>	<u><u>\$ (339,983)</u></u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from Federal government	\$ 40,715	\$ -	\$ 40,715
On-behalf payments	45,240	15,659	60,899

See accompanying notes to financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 146,181	\$ 938,510
Accounts receivable	1,220	126,084
Capital assets less accumulated depreciation	-	553,957
	<hr/>	<hr/>
Total assets	147,401	1,618,551
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts payable	40	56,331
Unearned revenue	-	159,419
Due to other governments	-	553,957
Career and Technical Center Escrow	-	599,997
Due to student groups	-	248,847
	<hr/>	<hr/>
Total liabilities	40	1,618,551
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unreserved	147,361	-
	<hr/>	<hr/>
Total net assets	<u>\$ 147,361</u>	<u>\$ -</u>

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust Fund
<b>ADDITIONS</b>	
Interest income	\$ 110
Other local revenues	64,302
Total additions	64,412
 <b>DEDUCTIONS</b>	
Instruction	712
Community services	60,496
Total deductions	61,208
Change in net position	3,204
Net position, beginning of year	144,157
Net position, end of year	\$ 147,361

See accompanying notes to financial statements

**MURRAY INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Head Start	Career & Technical Center	Activity Funds	Total
<b>REVENUES</b>				
Earnings on investments	\$ 1,899	\$ 7,332	\$ -	\$ 9,231
Tuition and fees	23,208	-	-	23,208
Student activities	-	-	578,609	578,609
Other local revenues	3,275	539,576	-	542,851
Intergovernmental - state grants	4,401	-	-	4,401
Intergovernmental - federal grants	4,845,027	-	-	4,845,027
	<u>4,877,810</u>	<u>546,908</u>	<u>578,609</u>	<u>6,003,327</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,343,625	-	-	4,343,625
Student	146,614	-	562,538	709,152
Instructional staff	140,655	-	-	140,655
Business support	215,359	-	-	215,359
Student transportation	16,667	-	-	16,667
Land and site acquisition	-	477,385	-	477,385
Plant operations and maintenance	240	-	-	240
Community service activities	14,650	-	-	14,650
	<u>4,877,810</u>	<u>477,385</u>	<u>562,538</u>	<u>5,440,348</u>
Excess (deficit) of revenues over (under) expenditures	-	69,523	16,071	85,594
Due to others, July 1, 2012	-	530,474	232,776	763,250
Due to others, June 30, 2013	<u>\$ -</u>	<u>\$ 599,997</u>	<u>\$ 248,847</u>	<u>\$ 848,844</u>

See accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. Murray Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Murray Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**Murray Independent School District Finance Corporation** – On February 11, 1993, Murray Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) was formed as an agency of the District for financing the costs of school building facilities. The Board Members of the Murray Independent Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The governmental funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursements funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**Governmental Funds**

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major governmental funds:

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations).

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. The Construction Fund is a major fund of the District.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest, and related costs.

**Proprietary Funds**

Proprietary funds are used to account for ongoing activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 funds' principal operating revenues are food service charges and day care charges. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses.

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA).

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *Day Care Fund* is used to account for school day and after-school day care program activities. Revenues are generated by collection of fees from program participants. Expenditures are for operating activities of the program.

Fiduciary Fund Types (including agency and trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

The *Student Activity Funds* account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting for Procedures for Kentucky School Activity Funds*.

The *Trust and Agency Fund* serves as a host to donations from the community to the Murray Family Resource Center, fees for extra-curricular education programs, fees for community education programs, fees for the Murray Alumni Association, an employee-generated fund, and serves as a pass-through fund for profits from the District's soft drink machines.

The *Fiscal Agent Fund* was established to administer grants for which the Murray Independent School District has agreed to be the fiscal agent. The District serves as a fiscal agent for the Head Start Program. This program administers Head Start funding to eleven local school districts. The District has a delegate agreement with each of these school districts. The District also serves as fiscal agent for the Murray Calloway County Career and Technical Center Escrow Fund which was established in joint agreement between the Murray Independent School District and the Calloway County School District in order to build a new facility for the two school districts.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Modified Accrual Basis

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

**Accrual**

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the General Fund, Special Revenue Fund and Capital Projects Funds.

Revenue Recognition

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2013. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less to be cash equivalents.

Prepaid Expenditures

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and expenditure is reported in the year in which services are consumed.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out (“FIFO”) method, or market value.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold as outlined in the Kentucky Department of Education Capital Asset Guide as follows:

<u>Description</u>	<u>Capitalization Threshold</u>
Buildings and improvements	\$ 15,000
Land improvements	15,000
Leasehold improvements	15,000
Software	5,000
Equipment (including technology)	5,000
Vehicles	5,000
Infrastructure	5% of total assets

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Compensated Absences

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fund Balances

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

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that 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 other, less-restrictive classifications-committed, assigned, and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Subsequent Events

Subsequent events have been evaluated through November 11, 2013, which is the date the financial statements were available to be issued.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District has implemented this statement in the year ended June 30, 2013. As a result, prior year "deferred charges" of \$119,076 have been expensed in the prior period adjustment explained in Note 19.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At June 30, 2013, the carrying amount of the District's deposits was \$8,412,494 and the bank balance was \$9,344,575.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 6,643,690
Proprietary funds	684,113
Fiduciary funds	938,510
Trust and Agency fund	<u>146,181</u>
	<u><u>\$ 8,412,494</u></u>

Funds of the District are considered to be public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. However, state statutes require the District's bank deposits to be collateralized. As of June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Interest Rate Risk**

The District does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, certificates of deposit are not subject to interest rate risk.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2013 was as follows:

<b>Governmental Activities</b>	<b>Restated Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
Capital assets not depreciated:				
Land	\$ 413,644	\$ 477,386	\$ -	\$ 891,030
Construction in progress	-	135,471	-	135,471
Total nondepreciable historical cost	<u>413,644</u>	<u>612,857</u>	<u>-</u>	<u>1,026,501</u>
Capital assets depreciated:				
Land improvements	1,414,327	-	-	1,414,327
Building and improvements	18,597,145	46,000	-	18,643,145
Technology equipment	1,528,136	29,595	99,571	1,458,160
Vehicles	746,212	-	-	746,212
Other	<u>779,715</u>	<u>-</u>	<u>-</u>	<u>779,715</u>
Total depreciable historical cost	<u>23,065,535</u>	<u>75,595</u>	<u>99,571</u>	<u>23,041,559</u>
Less: accumulated depreciation				
Land improvements	669,539	45,345	-	714,884
Building and improvements	6,633,092	659,760	-	7,292,852
Technology equipment	1,069,270	164,618	98,311	1,135,577
Vehicles	635,848	35,729	-	671,577
Other	<u>496,473</u>	<u>41,385</u>	<u>-</u>	<u>537,858</u>
Total accumulated depreciation	<u>9,504,222</u>	<u>946,837</u>	<u>98,311</u>	<u>10,352,748</u>
Total depreciable historical cost - net	<u>13,561,313</u>	<u>(871,242)</u>	<u>1,260</u>	<u>12,688,811</u>
Governmental activities capital assets - net	<u>\$ 13,974,957</u>	<u>\$ (258,385)</u>	<u>\$ 1,260</u>	<u>\$ 13,715,312</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CAPITAL ASSETS, continued**

<b>Agency Funds</b>	<b>Restated Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
Capital assets depreciated:				
Building and improvements	\$ 78,022	\$ -	\$ -	\$ 78,022
Technology equipment	180,435	-	-	180,435
Vehicles	1,091,754	181,683	83,940	1,189,497
General equipment	542,018	16,724	-	558,742
	<u>1,892,229</u>	<u>198,407</u>	<u>83,940</u>	<u>2,006,696</u>
Total depreciable historical cost				
Less: accumulated depreciation				
Building and improvements	63,246	679	-	63,925
Technology equipment	143,869	14,749	-	158,618
Vehicles	822,138	60,552	83,940	798,750
General equipment	395,630	35,816	-	431,446
	<u>1,424,883</u>	<u>111,796</u>	<u>83,940</u>	<u>1,452,739</u>
Total accumulated depreciation				
Agency funds capital assets - net	<u>\$ 467,346</u>	<u>\$ 86,611</u>	<u>\$ -</u>	<u>\$ 553,957</u>
<b>Business-Type Activities</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
Capital assets depreciated:				
Technology equipment	\$ 30,640	\$ -	\$ 6,792	\$ 23,848
Other	367,974	-	-	367,974
	<u>398,614</u>	<u>-</u>	<u>6,792</u>	<u>391,822</u>
Total depreciable historical cost				
Less: accumulated depreciation				
Technology equipment	25,005	1,528	5,182	21,351
Other	257,096	25,216	-	282,312
	<u>282,101</u>	<u>26,744</u>	<u>5,182</u>	<u>303,663</u>
Total accumulated depreciation				
Business -type activities, capital assets - net	<u>\$ 116,513</u>	<u>\$ (26,744)</u>	<u>\$ 1,610</u>	<u>\$ 88,159</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs for the primary government as follows:

<b>Governmental Activities</b>	
Instruction	\$ 765,783
Support Services:	
Student	83
Instructional staff	292
District administration	33,454
School administration	20,463
Business	1,000
Plant operation and maintenance	95,105
Student transportation	<u>30,657</u>
	<u><u>\$ 946,837</u></u>

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS**

The amounts shown in the accompanying financial statements as lease and bonded debt obligations represent the District's future obligations to make payments relating to the bonds issued by the Murray Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The original amount of each issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2001-A	\$ 4,415,000	2.50% - 4.625%
2003	1,040,000	1.20% - 3.50%
2004	8,150,000	2.00% - 4.25%
2010	3,235,000	2.00% - 2.50%
2012	5,785,000	1.00% - 2.00%

The District, through the General Fund, (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Funds), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Murray Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, continued**

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2013 - 2014	\$ 785,000	\$ 175,074	\$ 70,735	\$ 889,339
2014 - 2015	805,000	157,219	70,735	891,484
2015 - 2016	825,000	145,526	70,736	899,790
2016 - 2017	840,000	131,456	70,735	900,721
2017 - 2018	790,000	117,557	70,735	836,822
2018 - 2019	805,000	102,547	70,735	836,812
2019 - 2020	820,000	86,625	70,735	835,890
2020 - 2021	835,000	68,525	70,735	832,790
2021 - 2022	860,000	49,850	70,735	839,115
2022 - 2023	880,000	35,500	70,736	844,764
2023 - 2024	895,000	17,900	70,735	842,165
	<u>\$ 9,140,000</u>	<u>\$ 1,087,779</u>	<u>\$ 778,087</u>	<u>\$ 9,449,692</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, continued**

The changes in outstanding debt are as follows:

<u>Bonds</u>	<u>Balance June 30, 2012</u>	<u>New Issues/ Adjustments</u>	<u>Debt Payments/ Adjustments</u>	<u>Balance June 30, 2013</u>
Series 2001-A	\$ 150,000	\$ -	\$ 150,000	\$ -
Series 2003	120,000	-	120,000	-
Series 2004	675,000	-	335,000	340,000
Series 2010	3,180,000	-	45,000	3,135,000
Series 2012	<u>5,785,000</u>	<u>-</u>	<u>120,000</u>	<u>5,665,000</u>
Total series	<u>9,910,000</u>	<u>-</u>	<u>770,000</u>	<u>9,140,000</u>
 <u>Capital Leases</u>				
KISTA 2003	3,369	-	3,369	-
KISTA 2004	6,722	-	3,307	3,415
KISTA 2005	<u>18,254</u>	<u>-</u>	<u>6,657</u>	<u>11,597</u>
Total capital leases	<u>28,345</u>	<u>-</u>	<u>13,333</u>	<u>15,012</u>
Total debt	<u>\$ 9,938,345</u>	<u>\$ -</u>	<u>\$ 783,333</u>	<u>\$ 9,155,012</u>
Plus Premium				<u>12,793</u>
Net total				<u>\$ 9,167,805</u>

**NOTE 5 – CAPITAL LEASE OBLIGATIONS**

The following is an analysis of the book value of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2013</u>
Office equipment	\$ 2,318
Buses	14,917

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – CAPITAL LEASE OBLIGATIONS, continued**

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

Year ending June 30,	Capital Lease Obligations
2014	\$ 9,649
2015	6,110
Total minimum lease payments	15,759
Less: Amount representing interest	(747)
Present value of net minimum lease payments	\$ 15,012

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 – FUND BALANCE REPORTING**

The following is a summary of designations of Fund Balances at June 30, 2013:

	General Fund	Facility Support Program (FSPK) Fund	Other Governmental Funds	Total
Nonspendable	\$ 19,618	\$ -	\$ -	\$ 19,618
Restricted:				
Future construction	-	2,126,711	583,721	2,710,432
Capital outlay	-	-	335,300	335,300
Committed:				
Unfunded portion of full-day kindergarten	42,065	-	-	42,065
Unfunded portion of transportation	145,803	-	-	145,803
New school bus	75,000	-	-	75,000
Noncurrent sick leave payable (50%)	95,500	-	-	95,500
Section 7 personnel	510,000	-	-	510,000
Physical education facility	100,000	-	-	100,000
KSBIT Assessment	100,000	-	-	100,000
Assigned	101,619	-	-	101,619
Unassigned	2,655,734	-	-	2,655,734
	<u>\$ 3,845,339</u>	<u>\$ 2,126,711</u>	<u>\$ 919,021</u>	<u>\$ 6,891,071</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2013.

**NOTE 8 – PENSION PLANS**

Kentucky Teachers' Retirement

*Plan description* – The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Any benefit amendments must be authorized by the State Legislature.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

*Funding policy* – Contribution rates are established by KRS. Members are required to contribute 10.855% of the employees' salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of the employees' salaries for employees hired prior to July 1, 2008 and 14.105% for employees hired after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 – PENSION PLANS, continued**

The District's payroll was \$9,578,262 for the year ended June 30, 2013. The payroll for employees covered under KTRS was \$6,709,270 for the year ended June 30, 2013. The Commonwealth contributed \$809,267 to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ended June 30, 2013, 2012 and 2011 were \$146,665, \$126,110 and \$104,494, respectively, which represent those employees covered by federal programs.

County Employees' Retirement System

*Plan description* – Substantially all other employees (classified personnel) are covered by the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides for retirement, death, and disability benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature.

Under the provision of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

*Funding policy* – Funding for the Plan is provided through payroll withholdings of 5% for employees hired prior to September 1, 2008 and 6% for employees hired after September 1, 2008, and a District contribution of 19.55% of the employee's total compensation subject to contribution. The payroll for employees covered under CERS was \$2,738,009 for the year ended June 30, 2013. The District's contributions to CERS were equal to the required contributions of \$537,276, \$524,164 and \$484,669 for the years ended June 30, 2013, 2012 and 2011, respectively.

The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

**NOTE 9 – CONTINGENCIES**

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if, based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 10 – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**NOTE 11 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards' Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards' Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks to loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 12 – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss.

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 13 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General Fund	Capital Funds	\$ 100,436
General Fund	Special Revenue	KETS	21,026
General Fund	Construction Fund	BG 12-271	219,193
FSPK	Construction Fund	BG 12-271	500,000
Capital Outlay	Construction Fund	Capital Funds	46,000
FSPK	Debt Service Fund	Bond payments	828,041

**NOTE 14 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the long-term obligation will be approximately \$191,004.

**NOTE 15 – PROPERTY TAXES**

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business and personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2012 fiscal year was based, was \$455,689,002.

The tax rates for the school year ended June 30, 2013 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.560 real estate and \$0.560 tangible per \$100 valuation.

Taxes are due on October 1 and become delinquent by January 1 following the October 1 levy date. Current general and PSC property tax collections for the year ended June 30, 2013 were 95.84% of the tax levy.

Property tax revenues and other governmental fund financial resource increments (i.e., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 16 – DEFICIT OPERATING FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

General Fund	\$ (274,628)
FSPK	(71,578)

**NOTE 17 – ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky (the “State”) is required to fund the matching contributions for the District’s personnel participating in the Teachers’ Retirement System of the State of Kentucky (See Note 8). The District also received on-behalf payments for certain fringe benefits from the State in the amount of \$1,463,444 for the fiscal year ending June 30, 2013. These payments, as well as the KTRS matching contributions of \$809,267 are included as equal amounts of revenues and expenditures in the accompanying Statement of Activities. Additionally, the District received technology on-behalf payments of \$39,421.

**NOTE 18 – ANNUAL FINANCIAL REPORT DIFFERENCES**

Depreciation Expense per AFR	\$ 994,162
Depreciation Expense per audit	<u>946,837</u>
Difference	<u><u>\$ 47,325</u></u>

The difference above is a result of MUNIS adjustments to correct retired asset discrepancies within the accounting system identified during routine MUNIS Fixed Asset Discrepancy Report processing.

Construction Fund Expenditures per AFR	\$ 181,471
Construction Fund Expenditures per audit	<u>193,745</u>
Difference	<u><u>\$ (12,274)</u></u>

The difference above is a result of the prior year audited balances beginning with a fund balance of \$12,274 which was classified on the AFR as restricted for Future Construction Projects (BG-1) and not recorded as a beginning balance by the District per instructions in Appendix C of the Fiscal Year End Processing document provided by Kentucky Department of Education.

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 18 – ANNUAL FINANCIAL REPORT DIFFERENCES, continued**

Debt Service Fund Expenditures per AFR	\$ 908,465
Debt Service Fund Expenditures per audit	<u>911,653</u>
Difference	<u>\$ (3,188)</u>

The difference represents beginning cash balance on the audit in the prior year which was expended in the current year for debt. See prior year audit footnote 18.

**NOTE 19 – EFFECT OF GASB 65 IMPLEMENTATION**

During the year ended June 30, 2013, the following affected the beginning net position of the District:

Changes were made to reflect the effect of implementing GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement requires that bond issue costs and deferred charges be shown as current-period outflows of resources (expenses). A prior period adjustment of \$119,077 is shown as a decrease in the beginning net position in the Statement of Activities.

**NOTE 20 – PRIOR PERIOD ADJUSTMENT**

Beginning net position of the District was decreased by \$91,009 as a result of restatement of beginning capital assets (see Note 18).

**SUPPLEMENTARY INFORMATION**

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ 1,472,000	\$ 1,472,000	\$ 1,703,363	\$ 231,363
Motor vehicle	230,000	230,000	252,639	22,639
Utilities	850,000	850,000	900,366	50,366
Other	145,000	145,000	189,110	44,110
Tuition and fees	125,000	125,000	158,570	33,570
Earnings on investments	40,000	40,000	58,591	18,591
Other local revenues	10,450	10,450	215,677	205,227
Intergovernmental - state	4,954,004	4,954,004	5,308,085	354,081
Intergovernmental - federal	-	-	-	-
<b>Total revenues</b>	<u>7,826,454</u>	<u>7,826,454</u>	<u>8,786,401</u>	<u>959,947</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	5,402,333	5,458,674	5,075,260	383,414
Support services:				
Student	360,120	360,519	357,687	2,832
Instructional staff	464,718	464,908	423,917	40,991
District administration	2,646,757	2,674,265	851,997	1,822,268
School administration	599,272	597,232	558,959	38,273
Business	267,473	267,488	287,303	(19,815)
Plant operations and maintenance	1,528,592	1,536,149	1,047,363	488,786
Student transportation	470,246	470,245	261,985	208,260
Community service activities	-	-	-	-
Debt service	72,377	72,377	72,377	-
<b>Total expenditures</b>	<u>11,811,888</u>	<u>11,901,857</u>	<u>8,936,848</u>	<u>2,965,009</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(3,985,434)</u>	<u>(4,075,403)</u>	<u>(150,447)</u>	<u>3,924,956</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	-	-	15,602	15,602
Operating transfers in	100,436	100,436	100,436	-
Operating transfers out	(145,000)	(145,000)	(240,219)	(95,219)
<b>Total other financing     sources (uses)</b>	<u>(44,564)</u>	<u>(44,564)</u>	<u>(124,181)</u>	<u>(79,617)</u>
<b>Net change in fund balance</b>	(4,029,998)	(4,119,967)	(274,628)	3,845,339
<b>Fund balance, July 1, 2012</b>	<u>4,029,998</u>	<u>4,119,967</u>	<u>4,119,967</u>	<u>-</u>
<b>Fund balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,845,339</u>	<u>\$ 3,845,339</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources:				
Other local revenues	\$ 2,250	\$ 40,861	\$ 34,380	\$ (6,481)
Intergovernmental - state	476,693	516,683	510,287	(6,396)
Intergovernmental - federal	3,343,202	3,342,856	3,165,773	(177,083)
<b>Total revenues</b>	<u>3,822,145</u>	<u>3,900,400</u>	<u>3,710,440</u>	<u>(189,960)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	3,438,849	3,478,941	3,299,406	179,535
Support services:				
Student support	100,419	123,076	122,629	447
Instructional staff	180,648	191,180	187,344	3,836
District administration	20,000	20,000	20,000	-
Plant operation and maintenance	-	-	-	-
Community service activities	102,229	108,229	102,087	6,142
<b>Total expenditures</b>	<u>3,842,145</u>	<u>3,921,426</u>	<u>3,731,466</u>	<u>189,960</u>
<b>Excess (deficit) of revenues     over (under) expenditures</b>	<u>(20,000)</u>	<u>(21,026)</u>	<u>(21,026)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	20,000	21,026	21,026	-
Operating transfers out	-	-	-	-
<b>Total other financing     sources (uses)</b>	<u>20,000</u>	<u>21,026</u>	<u>21,026</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance, July 1, 2012</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FACILITY SUPPORT PROGRAM (FSPK) FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 742,443	\$ 742,443	\$ 742,443	\$ -
Earnings on investments	10,000	10,000	23,384	13,384
Intergovernmental - state	447,538	447,538	490,636	43,098
<b>Total revenues</b>	<u>1,199,981</u>	<u>1,199,981</u>	<u>1,256,463</u>	<u>56,482</u>
<b>EXPENDITURES</b>				
Debt service	-	-	-	-
Contingency	2,067,041	2,067,041	-	2,067,041
<b>Total expenditures</b>	<u>2,067,041</u>	<u>2,067,041</u>	<u>-</u>	<u>2,067,041</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(867,060)</u>	<u>(867,060)</u>	<u>1,256,463</u>	<u>2,123,523</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(1,331,229)	(1,331,229)	(1,328,041)	3,188
<b>Total other financing sources (uses)</b>	<u>(1,331,229)</u>	<u>(1,331,229)</u>	<u>(1,328,041)</u>	<u>(3,188)</u>
<b>Net change in fund balance</b>	(2,198,289)	(2,198,289)	(71,578)	2,126,711
<b>Fund balance, July 1, 2012</b>	<u>2,198,289</u>	<u>2,198,289</u>	<u>2,198,289</u>	<u>-</u>
<b>Fund balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,126,711</u>	<u>\$ 2,126,711</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

**NOTE 1 – BUDGETARY INFORMATION**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. Differences between the budgetary accounting method and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General, Food Service, and Day Care Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**Reconciliation to the General Fund**

Revenues - budgetary basis	\$ 8,786,401
On-behalf payments	<u>2,211,806</u>
Total revenues - modified cash basis	<u><u>\$ 10,998,207</u></u>
Expenditures - budgetary basis	\$ 8,936,848
On-behalf payments	<u>2,211,806</u>
Total expenditures - modified cash basis	<u><u>\$ 11,148,654</u></u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Construction Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 583,721	\$ 335,300	\$ -	\$ 919,021
Total assets and resources	\$ 583,721	\$ 335,300	\$ -	\$ 919,021
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balances				
Nonspendable				
Spendable:				
Restricted	583,721	335,300	-	919,021
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	583,721	335,300	-	919,021
Total liabilities and fund balances	\$ 583,721	\$ 335,300	\$ -	\$ 919,021

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Construction Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	3,527	-	3,527
Intergovernmental - state	-	137,359	80,423	217,782
<b>Total revenues</b>	<b>-</b>	<b>140,886</b>	<b>80,423</b>	<b>221,309</b>
<b>EXPENDITURES</b>				
Facilities acquisition and construction	58,274	-	-	58,274
Debt service	-	-	911,653	911,653
Other facilities	135,471	-	-	135,471
<b>Total expenditures</b>	<b>193,745</b>	<b>-</b>	<b>911,653</b>	<b>1,105,398</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(193,745)</b>	<b>140,886</b>	<b>(831,230)</b>	<b>(884,089)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	765,192	-	828,042	1,593,234
Operating transfers out	-	(146,436)	-	(146,436)
<b>Total other financing     sources (uses)</b>	<b>765,192</b>	<b>(146,436)</b>	<b>828,042</b>	<b>1,446,798</b>
<b>Net change in fund balance</b>	<b>571,447</b>	<b>(5,550)</b>	<b>(3,188)</b>	<b>562,709</b>
<b>Fund balance, July 1, 2012</b>	<b>12,274</b>	<b>340,850</b>	<b>3,188</b>	<b>356,312</b>
<b>Fund balance, June 30, 2013</b>	<b>\$ 583,721</b>	<b>\$ 335,300</b>	<b>\$ -</b>	<b>\$ 919,021</b>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 ALL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Cash Balance</u> June 30, 2012	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance</u> June 30, 2013	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balance</u> June 30, 2013
Murray High School	\$ 100,724	\$ 354,886	\$ 356,248	\$ 99,362	\$ -	\$ -	\$ 99,362
Murray Middle School	101,934	185,466	169,255	118,145	-	-	118,145
Murray Elementary School	30,118	38,257	37,035	31,340	-	-	31,340
Totals	<u>\$ 232,776</u>	<u>\$ 578,609</u>	<u>\$ 562,538</u>	<u>\$ 248,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,847</u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUND - MURRAY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balance <u>July 1, 2012</u>	Receipts	Disbursements	Cash Balance <u>June 30, 2013</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Fund Balance <u>June 30, 2013</u>
AP Exams	\$ 1,608	\$ 18,332	\$ 15,722	\$ 4,218	\$ -	\$ -	\$ 4,218
Academic Team	1,700	3,000	2,144	2,556	-	-	2,556
Art Department	397	950	949	398	-	-	398
Band	469	29,246	26,752	2,963	-	-	2,963
Black & Gold	-	4,541	2,760	1,781	-	-	1,781
Black History	68	-	-	68	-	-	68
Book Rental	9	22,093	15,757	6,345	-	-	6,345
Business	570	1,554	1,053	1,071	-	-	1,071
Cheer	8,770	20,152	23,448	5,474	-	-	5,474
Chorus	-	3,978	2,848	1,130	-	-	1,130
Speech	7,245	17,419	21,379	3,285	-	-	3,285
Drink Machine Fund	563	-	542	21	-	-	21
FBLA	400	2,910	2,941	369	-	-	369
FCA	858	2,340	3,190	8	-	-	8
French Club	516	314	353	477	-	-	477
Library	78	13	-	91	-	-	91
Locks	1,119	310	528	901	-	-	901
Miscellaneous	302	8,451	7,128	1,625	-	-	1,625
Participation	819	-	721	98	-	-	98
Photo Fee	10	797	807	-	-	-	-
Spanish Club	2,212	1,785	3,434	563	-	-	563

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUND - MURRAY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balance <u>July 1, 2012</u>	Receipts	Disbursements	Cash Balance <u>June 30, 2013</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Fund Balance <u>June 30, 2013</u>
Student Council	2,773	-	1,422	1,351	-	-	1,351
Student Fees	84	5,286	4,155	1,215	-	-	1,215
Tri-Alpha	11	-	11	-	-	-	-
TV Club	341	4,192	3,018	1,515	-	-	1,515
Yearbook	23,290	18,307	14,666	26,931	-	-	26,931
Workbooks	-	5,298	5,298	-	-	-	-
Tech Education	762	-	-	762	-	-	762
Class Savings Account	3,471	480	3,951	-	-	-	-
Chess	1,382	1,110	636	1,856	-	-	1,856
Technology Fee	2,351	1,500	2,983	868	-	-	868
German	46	-	46	-	-	-	-
FRYSC	638	1,253	734	1,157	-	-	1,157
Beta Club	817	6,641	6,054	1,404	-	-	1,404
Class of 2010	-	-	-	-	-	-	-
Guidance Department	565	160	61	664	-	-	664
PTO	556	1,140	75	1,621	-	-	1,621
Dawg Pound	961	300	272	989	-	-	989
Japanese Club	55	-	55	-	-	-	-
Science Dept	-	2,920	1,264	1,656	-	-	1,656

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUND - MURRAY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balance <u>July 1, 2012</u>	Receipts	Disbursements	Cash Balance <u>June 30, 2013</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Fund Balance <u>June 30, 2013</u>
Y Club	-	9,167	9,083	84	-	-	84
Class of 2012	479	-	479	-	-	-	-
Math Department	500	-	-	500	-	-	500
Class of 2013	4,605	315	4,679	241	-	-	241
Mini-grants	997	1,636	1,071	1,562	-	-	1,562
Engineering Workshop	-	-	-	-	-	-	-
P.E.	282	570	135	717	-	-	717
Class of 2014	2,425	7,610	5,738	4,297	-	-	4,297
Interact Club	226	-	-	226	-	-	226
Robotics	-	-	-	-	-	-	-
Bass Club	-	2,035	1,080	955	-	-	955
Class of 2015	2,209	3,718	1,688	4,239	-	-	4,239
Class of 2016	-	2,859	284	2,575	-	-	2,575
Weather Club	-	500	-	500	-	-	500
Athletics:							
Girls' Basketball	-	8,519	8,519	-	-	-	-
Girls' Soccer	-	7,139	7,139	-	-	-	-
G/B Golf	-	1,057	1,057	-	-	-	-
Athletic Miscellaneous	-	10,587	10,587	-	-	-	-
Athletic Receipts	18,023	86,261	103,168	1,116	-	-	1,116
Softball	-	1,365	1,080	285	-	-	285
Baseball	-	1,035	1,035	-	-	-	-
G/B Swimming	-	2,557	2,557	-	-	-	-

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUND - MURRAY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balance <u>July 1, 2012</u>	Receipts	Disbursements	Cash Balance <u>June 30, 2013</u>	Accounts Receivable	Accounts Payable	Fund Balance <u>June 30, 2013</u>
G/B Tennis	25	1,490	1,515	-	-	-	-
G/B Track	40	4,230	4,270	-	-	-	-
Volleyball	-	1,080	1,080	-	-	-	-
Athletic Game Administration	-	28,645	28,645	-	-	-	-
Regional Softball Tournament	-	5,010	5,010	-	-	-	-
Boys' Basketball	2	5,255	5,176	81	-	-	81
Dance Team	2,006	3,419	5,183	242	-	-	242
Athletic Transportation	-	17,007	17,007	-	-	-	-
4th District Basketball Tournament	-	1,805	1,805	-	-	-	-
Boys' Soccer	142	4,140	4,282	-	-	-	-
Archery	2,811	22,135	18,635	6,311	-	-	6,311
Change Acct	-	12,000	12,000	-	-	-	-
Semi State Soccer	-	2,632	2,632	-	-	-	-
Regional Track Meet	-	1,428	1,428	-	-	-	-
G/B Cross Country	-	1,928	1,928	-	-	-	-
Football Playoff 1st Round	-	2,600	2,600	-	-	-	-
Football	136	13,901	14,037	-	-	-	-
	<u>100,724</u>	<u>462,407</u>	<u>463,769</u>	<u>99,362</u>	<u>-</u>	<u>-</u>	<u>99,362</u>
Less interfund transfers	<u>-</u>	<u>(107,521)</u>	<u>(107,521)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 100,724</u></u>	<u><u>\$ 354,886</u></u>	<u><u>\$ 356,248</u></u>	<u><u>\$ 99,362</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 99,362</u></u>

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Agriculture Passed through State Department of Education: School Breakfast Program	10.553*	7760005-12 7760005-13	\$ 17,865 <u>72,244</u>	\$ 90,109
National School Lunch Program	10.555*	7750002-12 7750002-13	61,910 259,547	
Noncash Assistance - Commodities (Note 4)		Fund 51	<u>40,715</u>	362,172
Summer Food Service Program for Children	10.559*	7690024-12 7690024-13 7740023-12 7740023-13	517 306 4,872 <u>18,501</u>	<u>24,196</u>
Total U.S. Department of Agriculture				<u>476,477</u>
U.S. Department of Education Passed through State Department of Education: Title I Grants to Local Education Agencies	84.010	310000211 310000212 310010212	125,213 126,313 <u>2,196</u>	253,722
Vocational Education Basic Grants to States	84.048	462123211 462133212 462133213	2,472 1,662 <u>6,943</u>	11,077
Special Education Preschool Grants	** 84.173	380000211		17,888
Special Education Grants to States	** 84.027	381000210 381000211 381000212	1,733 263,995 <u>16,863</u>	282,591
Improving Teacher Quality State Grants	84.367	323000211 323000212	7,312 <u>46,500</u>	53,812

(continued)

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
Title VI Rural Education	84.358	314000212		27,424
English Language Acquisition	84.365	330000210 330000211	5,965 <u>7,839</u>	13,804
ARRA - Education Jobs Fund	84.410	EJOB0010		18,493
Race to the Top	84.413	396000211		<u>3,943</u>
Total U.S. Department of Education				<u>682,754</u>
U. S. Department of Health and Human Services				
Direct Programs:				
Head Start - MBE ***	93.600	04CH2692-43 04CH2692-44	2,316,496 <u>648,033</u>	2,964,529
Head Start - EHS ***	93.600	04CH2692-43 04CH2692-44	1,091,530 <u>364,640</u>	1,456,170
Passed through Western Kentucky University Head Start ***	93.600	04CH0201-002 04CH0201-002	232,537 <u>191,791</u>	<u>424,328</u>
Total U.S. Department of Health and Human Services				<u>4,845,027</u>
Total Expenditures of Federal Awards				<u><u>\$ 6,004,258</u></u>

\*Child Nutrition Cluster

\*\*Special Education Cluster

\*\*\*Major Programs

**MURRAY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Murray Independent School District (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial positions, changes in net assets or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 - COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Murray Independent School District  
Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Murray Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Murray Independent School District's basic financial statements and have issued our report thereon dated November 11, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 and Other Matters**

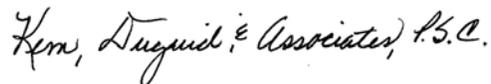
As part of obtaining reasonable assurance about whether Murray Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

### **Purpose of this Report**

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants  
Hopkinsville, Kentucky

November 11, 2013

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Murray Independent School District  
Murray, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Murray Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Murray Independent School District's major federal programs for the year ended June 30, 2013. Murray Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Murray Independent School District's major federal programs based on our audit of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Murray Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Murray Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

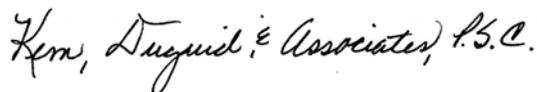
Management of Murray Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Murray Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Murray Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control compliance and the results of that testing based on requirements on OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants  
Hopkinsville, Kentucky

November 11, 2013

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Murray Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Murray Independent School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit of Murray Independent School District
5. The auditor's report on compliance for the major federal award programs for Murray Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

Program Title	CFDA Number
Head Start	93.600

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Murray Independent School District qualifies as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**MURRAY INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

There were no prior audit findings for Murray Independent School District.