

MURRAY SCHOOL DISTRICT

**Basic Financial Statements
With Supplementary and Other Information**

Year Ended June 30, 2013

MURRAY CITY SCHOOL DISTRICT

Table of Contents

Year Ended June 30, 2013

Page

FINANCIAL SECTION:

Independent Auditor's Report	1
-------------------------------------	---

Management's Discussion and Analysis	4
---	---

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	11
---------------------------	----

Statement of Activities	12
-------------------------	----

Fund Financial Statements:

Balance Sheet - Governmental Funds	13
------------------------------------	----

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
--	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
--	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
--	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	17
---	----

Statement of Fund Net Position - Proprietary Fund	18
---	----

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	19
--	----

Statement of Fund Cash Flows - Proprietary Fund	20
---	----

Notes to the Basic Financial Statements	21
---	----

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits	37
--	----

Combining and Individual Fund Statements and Schedules:

Major funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	38
--	----

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Debt Service Fund</i>	39
---	----

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Capital Projects Fund</i>	40
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MURRAY CITY SCHOOL DISTRICT

Table of Contents

Year Ended June 30, 2013

Page

FINANCIAL SECTION (Continued):

Nonmajor Special Revenue Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Non K-12 Programs</i>	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>School Lunch</i>	44
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances - <i>Murray Education Foundation</i>	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Student Activities</i>	46

OTHER INFORMATION (Unaudited):

Comparative Statements of Net Position - Governmental Activities - 2013 through 2009	47
Comparative Statements of Activities - Governmental Activities - 2013 through 2009	48
<i>General Fund</i> - Comparative Balance Sheets - 2013 through 2009	49
<i>General Fund</i> - Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances - 2013 through 2009 with Anticipated Budget for 2014	50
Historical Summaries of Taxable Values of Property - Calendar Years Ended 2012 through 2008	51
Tax Rates and Collections - 2013 through 2009 with Anticipated Budget for 2014	52

FINANCIAL SECTION



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Independent Auditor's Report

Board of Education
Murray City School District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District (the District) as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate

remaining fund information of Murray City School District as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 the schedule of funding progress – other postemployment benefits, as listed in the table of contents, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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 fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information 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 27, 2013, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
November 27, 2013

Management's Discussion and Analysis

This section of Murray City School District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2013.

Financial Highlights

- The District's total net position was \$65.7 million at the close of the most recent year.
- During 2013, the District's expenses were \$1.1 million less than the \$49.5 million generated in taxes and other revenues for governmental activities. This increase in net position is more than the prior year when expenses were less than revenues by \$0.2 million.
- During 2013, the District issued \$32.1 million of general obligation bonds to help finance the construction and remodeling of school buildings. The District also refunded \$10.6 million of general obligation bonds at lower interest rates, reducing future debt service requirements by \$1.7 million.

Overview of the Financial Statements

The discussion and analysis provided here are 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 basic financial statements. This report also contains supplementary and other information in addition to the basic financial statements themselves.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the remainder being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unpaid employee benefits for vacation and early retirement).

The government-wide financial statements of the District are reported as *governmental activities*. The District's basic services are included here, such as instruction, various supporting services, food services, community services, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

The government-wide financial statements include not only the District itself but also the Murray Education Foundation (Foundation), a legally separate entity for which the District is financially accountable. The Foundation functions for all practical purposes as an activity of the District, and therefore has been included as an integral part of the District.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each governmental fund is provided in the form of *combining and individual statements and schedules* section of this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 17 of this report.

- **Proprietary funds** – The District maintains one proprietary fund type. The *lifetime insurance internal service fund* is an accounting device used to accumulate and allocate costs internally among the District’s various functions; this fund accounts for post-retirement health care insurance services provided to all the other funds of the District. The *lifetime insurance internal service fund* has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 37 of this report.

Supplementary information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligations to provide other postemployment benefits to its employees and retirees. Required supplementary information can be found on page 38 of this report.

The combining and individual statements and schedules referred to earlier in connection with governmental funds can be found on pages 39 through 47 of this report.

Other information – Selected financial and tax information is provided as other information, presenting 5-year comparisons. This other information can be found on pages 48 through 53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65.7 million at the close of the most recent fiscal year.

MURRAY CITY SCHOOL DISTRICT'S Net Position

(in millions of dollars)

June 30, 2013 and 2012

	Governmental activities		Total change
	2013	2012	2013-2012
Current and other assets	\$ 84.6	\$ 50.6	\$ 34.0
Capital assets	59.1	56.0	3.1
Total assets	143.7	106.6	37.1
Deferred outflows of resources	0.6	0.5	0.1
Current and other liabilities	9.2	7.4	1.8
Long-term liabilities outstanding	50.3	18.2	32.1
Total liabilities	59.5	25.6	33.9
Deferred inflows of resources	19.1	16.9	2.2
Net position:			
Net investment in capital assets	37.6	38.7	(1.1)
Restricted	16.1	14.5	1.6
Unrestricted	12.0	11.4	0.6
Total net position	\$ 65.7	\$ 64.6	\$ 1.1

- The largest portion of the District's net position (57.2%) reflects its investment in capital assets (e.g., land, buildings, and equipment net of accumulated depreciation) less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to 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.
- An additional portion of the District's net position (24.5%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of net position (18.3%) is unrestricted and may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The District's net position increased by \$1.1 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

Governmental activities – The key elements of the increase of the District’s net position for the year ended June 30, 2013 are as follows:

MURRAY CITY SCHOOL DISTRICT'S Changes in Net Position

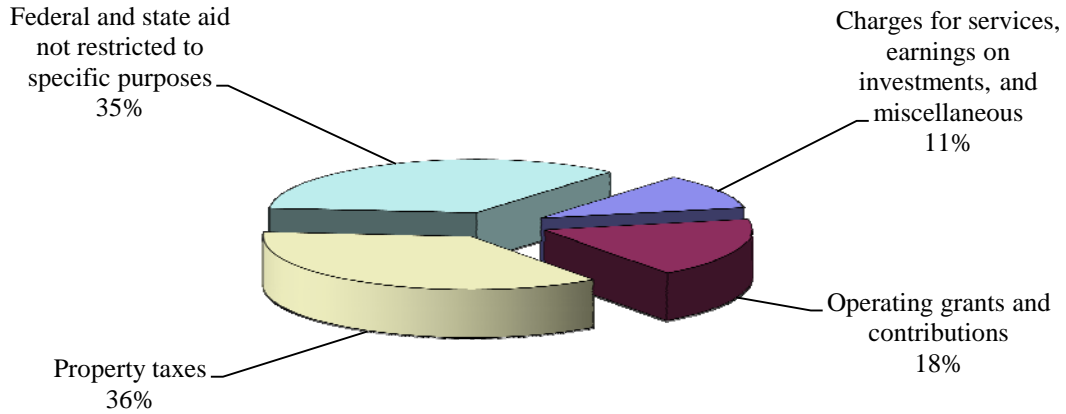
(in millions of dollars)

Years Ended June 30, 2013 and 2012

	<u>Governmental activities</u>		<u>Total change</u>
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3.1	\$ 3.0	\$ 0.1
Operating grants and contributions	9.0	8.8	0.2
General revenues:			
Property taxes	18.0	17.5	0.5
Federal and state aid not restricted to specific purposes	17.2	17.2	-
Earnings on investments	0.4	0.4	-
Miscellaneous	1.8	1.6	0.2
Total revenues	<u>49.5</u>	<u>48.5</u>	<u>1.0</u>
Expenses:			
Instruction	30.0	30.0	-
Supporting services:			
Students	2.0	1.7	0.3
Instructional staff	1.4	1.8	(0.4)
General administration	1.1	1.1	-
School administration	2.5	2.5	-
Central	1.5	1.7	(0.2)
Operation and maintenance of facilities	4.2	4.2	-
Student transportation	1.0	1.1	(0.1)
School lunch services	2.5	2.4	0.1
Community services	0.9	0.9	-
Interest on long-term liabilities	1.3	0.9	0.4
Total expenses	<u>48.4</u>	<u>48.3</u>	<u>0.1</u>
Change in net position	1.1	0.2	0.9
Net position - beginning	<u>64.6</u>	<u>64.4</u>	<u>0.2</u>
Net position - ending	<u><u>\$ 65.7</u></u>	<u><u>\$ 64.6</u></u>	<u><u>\$ 1.1</u></u>

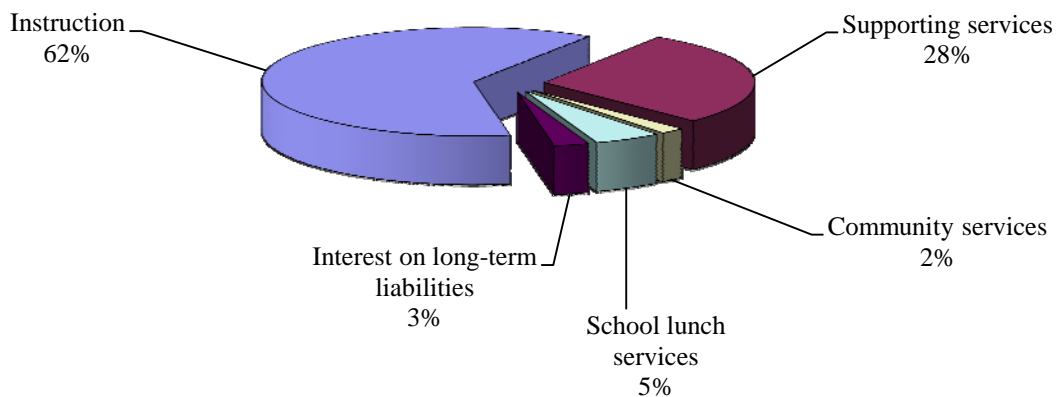
- State aid increased by \$0.3 million. State aid is based primarily on weighted pupil units (WPUs) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that, if local taxes do not provide money equal to the amount generated by the WPU, it will make up the difference with state funding. The value of the WPU increased by 0.9% during the year ended June 30, 2013 (\$2,842 during 2013 as compared to \$2,816 in 2012).
- Property tax revenue increased by \$0.5 million primarily due to increased property tax rates.

**Murray City School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2013**



- Instruction represents the largest dollar portion of expenses of \$30.0 million primarily for teacher salaries and related benefits.

**Murray City School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2013**



Financial Analysis of the District's 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 District's 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. As the District completed the year, its governmental funds reported a combined fund balance of \$55.8 million, \$30.6 million more than the previous year primarily due to the proceeds from general obligation bonds issued during the year. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$38.0 million, a decrease of 2.5% during the current fiscal year. This compares to a 2.0% increase in 2012. Instruction represents 66.1% of *general fund* expenditures.
- *General fund* salaries totaled \$24.5 million while the associated employee benefits of retirement, social security, and insurance added \$9.9 million to arrive at 90.6% of total *general fund* expenditures. This compares to 89.5% in 2012.
- The *capital projects fund* balance increased by \$30.3 million primarily due to the issuance of general obligation bonds during the year.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories and prepaid items that are not expected to be converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. The unrestricted fund balance is, in turn, subdivided between committed and unassigned portions. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2013, the District's combined governmental fund balance is \$55.8 million (\$0.6 million in nonspendable, \$44.1 million in restricted, \$9.2 million in committed, and \$1.9 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.1 million or 0.1% in total *general fund* revenues to account for anticipated increases in property tax collections and decreases in federal revenues.

Actual expenditures were \$2.8 million less than final budgeted amounts. The most significant positive variance was \$2.1 million in instruction. Conversely, revenues were \$0.8 million less than the final budgeted amount. Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$59.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, and equipment. The total increase in capital assets for the current year was \$3.1 million or 5.5%.

Capital assets at June 30, 2013 and 2012 are outlined below:

MURRAY CITY SCHOOL DISTRICT'S Capital Assets

(net of accumulated depreciation, in millions of dollars)

June 30, 2013 and 2012

	Governmental activities		Total change
	2013	2012	2013-2012
Land	\$ 17.7	\$ 17.7	\$ -
Construction in progress	4.4	-	4.4
Buildings	35.7	37.0	(1.3)
Equipment	1.3	1.3	-
Total capital assets	<u>\$ 59.1</u>	<u>\$ 56.0</u>	<u>\$ 3.1</u>

The cost of various District construction projects underway at June 30, 2013 are projected at a total cost of \$33.4 million. The largest project is Hillcrest Jr. High School with an estimated cost of \$29.1 million.

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt administration – At the end of the current year, the District had total bonded debt outstanding of \$49.8 million (net of unamortized amounts for bond issuance premiums). Payment is backed by the full faith and credit of the District as well as the State of Utah under provisions of The Guaranty Act. The District's total debt increased by \$32.0 million. This increase was a result of the District issuing \$32.1 million of general obligation bonds to help finance the construction and remodeling of school buildings. The District also refunded \$10.6 million of general obligation bonds at lower interest rates, reducing future debt services requirements by \$1.7 million.

MURRAY CITY SCHOOL DISTRICT'S Outstanding Debt

(net of accumulated amortization, in millions of dollars)

June 30, 2013 and 2012

	Governmental activities		Total change
	2013	2012	2013-2012
Net general obligation bonds	<u>\$ 49.8</u>	<u>\$ 17.8</u>	<u>\$ 32.0</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2013 is \$155.9 million. Net general obligation debt at June 30, 2013 is \$49.8 million, resulting in a legal debt margin of \$106.1 million.

Although it is not unusual for governments to have a 30-year bond payoff schedule, the District maintains an aggressive schedule to retire all of its general obligation bonds by 2033.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Murray City School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Murray City School District, 147 East 5065 South (Myrtle Avenue), Murray, UT 84107.

Basic Financial Statements

MURRAY CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets:	
Cash and investments	\$ 62,137,028
Receivables:	
Property taxes	19,495,080
Other local	15,785
State of Utah	182,974
Federal government	2,011,923
Prepaid items	48,840
Inventories	588,061
Net OPEB asset	85,010
Capital assets:	
Land and construction in progress	22,137,243
Buildings and equipment, net of accumulated depreciation	37,004,057
Total assets	<u>143,706,001</u>
Deferred outflows of resources:	
Deferred amounts on refunding	<u>556,692</u>
Liabilities:	
Accounts payable	4,331,581
Accrued interest	718,313
Accrued salaries and benefits	3,199,843
Unearned revenue:	
Local	63,615
State of Utah	849,335
Federal government	38,302
Noncurrent liabilities:	
Due and payable within one year	2,045,843
Due and payable after one year	48,262,636
Total liabilities	<u>59,509,468</u>
Deferred inflows of resources:	
Property taxes levied for future year	<u>19,076,712</u>
Net position:	
Net investment in capital assets	37,618,325
Restricted for:	
Debt service	1,192,106
Capital projects	14,347,405
School lunch services	552,778
Unrestricted	11,965,899
Total net position	<u><u>\$ 65,676,513</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2013

Activities and Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 30,043,867	\$ 1,928,872	\$ 5,946,506	\$ (22,168,489)
Supporting services:				
Student	2,044,784	-	572,124	(1,472,660)
Instructional staff	1,440,676	-	214,581	(1,226,095)
General administration	1,157,888	-	196,136	(961,752)
School administration	2,527,867	-	2,584	(2,525,283)
Central	1,525,412	-	473	(1,524,939)
Operation and maintenance of facilities	4,218,582	34,636	34,275	(4,149,671)
Student transportation	955,311	17,098	406,421	(531,792)
School lunch services	2,460,235	696,030	1,477,784	(286,421)
Community services	863,161	424,100	117,607	(321,454)
Interest on long-term liabilities	1,309,671	-	-	(1,309,671)
Total school district	<u>\$ 48,547,454</u>	<u>\$ 3,100,736</u>	<u>\$ 8,968,491</u>	<u>(36,478,227)</u>
General revenues:				
Property taxes levied for:				
Basic				5,053,876
Voted local				5,467,124
Board local				2,730,501
Debt service				2,574,385
Capital local				<u>2,176,442</u>
Total property taxes				18,002,328
Federal and state aid not restricted to specific purposes				17,245,373
Earnings on investments				444,239
Miscellaneous				<u>1,825,395</u>
Total general revenues				<u>37,517,335</u>
Change in net position				1,039,108
Net position - beginning, as restated				<u>64,637,405</u>
Net position - ending				<u><u>\$ 65,676,513</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 13,525,934	\$ 1,591,662	\$ 43,705,474	\$ 2,245,822	\$ 61,068,892
Receivables:					
Property taxes	12,353,750	3,610,991	3,530,339	-	19,495,080
Other local	2,215	-	-	13,570	15,785
State of Utah	33,589	-	-	149,385	182,974
Federal government	1,948,251	-	-	63,672	2,011,923
Prepaid items	-	-	-	48,840	48,840
Inventories	588,061	-	-	-	588,061
Total assets	<u>\$ 28,451,800</u>	<u>\$ 5,202,653</u>	<u>\$ 47,235,813</u>	<u>\$ 2,521,289</u>	<u>\$ 83,411,555</u>
Liabilities:					
Accounts payable	\$ 2,248,809	\$ -	\$ 1,672,565	\$ 9,499	\$ 3,930,873
Accrued salaries and benefits	3,199,843	-	-	-	3,199,843
Unearned revenue:					
Local	16,179	-	-	47,436	63,615
State of Utah	842,883	-	-	6,452	849,335
Federal government	3,480	-	-	34,822	38,302
Total liabilities	<u>6,311,194</u>	<u>-</u>	<u>1,672,565</u>	<u>98,209</u>	<u>8,081,968</u>
Deferred inflows of resources:					
Unavailable property tax revenue	321,351	62,429	52,779	-	436,559
Property taxes levied for future year	12,049,626	3,551,156	3,475,930	-	19,076,712
Total deferred inflows of resources	<u>12,370,977</u>	<u>3,613,585</u>	<u>3,528,709</u>	<u>-</u>	<u>19,513,271</u>
Fund balances:					
Nonspendable:					
Inventories and prepaid items	588,061	-	-	48,840	636,901
Restricted for:					
Debt service	-	1,589,068	-	-	1,589,068
Hillcrest Jr. High capital project	-	-	30,237,413	-	30,237,413
Other capital projects	-	-	11,797,126	-	11,797,126
School lunch services	-	-	-	451,159	451,159
Committed to:					
Economic stabilization	2,000,000	-	-	-	2,000,000
Employee and retiree benefits	5,238,358	-	-	-	5,238,358
Community recreation	-	-	-	198,747	198,747
Foundation programs	-	-	-	949,659	949,659
Student activities	-	-	-	774,675	774,675
Unassigned	1,943,210	-	-	-	1,943,210
Total fund balances	<u>9,769,629</u>	<u>1,589,068</u>	<u>42,034,539</u>	<u>2,423,080</u>	<u>55,816,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,451,800</u>	<u>\$ 5,202,653</u>	<u>\$ 47,235,813</u>	<u>\$ 2,521,289</u>	<u>\$ 83,411,555</u>

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

MURRAY CITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds	\$ 55,816,316
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Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 22,137,243	
Buildings, net of \$22,173,213 accumulated depreciation	35,734,801	
Equipment, net of \$2,962,809 accumulated depreciation	1,269,256	59,141,300

Some of the District's property taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	436,559
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These and related balances at year end are:

General obligation bonds payable	(46,425,000)	
Unamortized bond issuance premiums	(3,404,230)	
Unamortized deferred amounts on refunding	556,692	
Accrued interest	(718,313)	
Compensated absences payable	(77,103)	
Early retirement benefits payable	(402,146)	(50,470,100)

Internal service funds are used by management to charge the costs of post-retirement health care benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year end is:	752,438
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Total net position of governmental activities	\$ 65,676,513
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The notes to the financial statements are an integral part of this statement.

MURRAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Local sources:					
Property taxes	\$ 12,704,863	\$ 2,425,605	\$ 2,907,707	\$ -	\$ 18,038,175
Earnings on investments	180,993	10,211	224,384	17,087	432,675
School lunch sales	-	-	-	682,712	682,712
Other local sources	1,582,864	-	125,000	2,232,726	3,940,590
State sources	22,345,426	-	-	606,704	22,952,130
Federal sources	2,049,985	-	-	1,211,749	3,261,734
Total revenues	38,864,131	2,435,816	3,257,091	4,750,978	49,308,016
Expenditures:					
Current:					
Instruction	25,117,465	-	440,668	2,142,424	27,700,557
Supporting services:					
Students	2,043,406	-	1,378	-	2,044,784
Instructional staff	1,433,949	-	6,727	-	1,440,676
General administration	827,656	-	-	-	827,656
School administration	2,479,157	-	-	92	2,479,249
Central	1,190,811	-	316,828	-	1,507,639
Operation and maintenance of facilities	3,573,033	-	484,286	19,829	4,077,148
Student transportation	833,039	-	-	-	833,039
School lunch services	-	-	-	2,377,210	2,377,210
Community services	498,132	-	-	365,029	863,161
Capital outlay	-	-	5,256,338	-	5,256,338
Debt service:					
Principal retirement	-	1,790,000	-	-	1,790,000
Interest and other charges	-	972,886	-	-	972,886
Bond issuance costs	-	72,111	245,905	-	318,016
Total expenditures	37,996,648	2,834,997	6,752,130	4,904,584	52,488,359
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	867,483	(399,181)	(3,495,039)	(153,606)	(3,180,343)
Other financing sources (uses):					
General obligation bonds issued	-	-	32,145,000	-	32,145,000
General obligation bonds premium	-	-	1,601,611	-	1,601,611
Refunding bonds issued	-	8,880,000	-	-	8,880,000
Refunding bonds premium	-	1,903,592	-	-	1,903,592
Payment to refunding bonds escrow agent	-	(10,711,481)	-	-	(10,711,481)
Total other financing sources (uses)	-	72,111	33,746,611	-	33,818,722
Net change in fund balances	867,483	(327,070)	30,251,572	(153,606)	30,638,379
Fund balances - beginning	8,902,146	1,916,138	11,782,967	2,576,686	25,177,937
Fund balances - ending	<u>\$ 9,769,629</u>	<u>\$ 1,589,068</u>	<u>\$ 42,034,539</u>	<u>\$ 2,423,080</u>	<u>\$ 55,816,316</u>

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

MURRAY CITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

The change in net position reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds **\$ 30,638,379**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land and equipment and \$100,000 for buildings and related improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The net effect of transactions involving capital assets increased net position in the current period.

Capital outlays	\$ 4,601,055	
Loss on disposal of equipment	(2,401)	
Depreciation expense	<u>(1,492,064)</u>	3,106,590

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of bonds consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

General obligation bond proceeds	(41,025,000)	
Bond premium	(3,505,203)	
Repayment of bond principal	1,790,000	
Payment to refunded bond escrow agent	10,711,481	
Interest expense - general obligation bonds	(393,547)	
Amortization of bond premium	100,973	
Amortization of deferred amounts on refunding	<u>(44,211)</u>	(32,365,507)

Property tax revenue is recognized when levied (when claim to resources is established) rather than when available. The portion not available soon enough to pay for the current periods expenditures is recognized as a deferred inflow of resources in the funds. (35,847)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds; long-term employee benefit obligations are reported as expenditures in the governmental funds when paid.

Compensated absences	(6,264)	
Early retirement benefits	<u>(111,757)</u>	(118,021)

An internal service fund is used by the District to charge the costs of post-retirement health care benefit services to individual funds. The net change in net position of the internal service fund is reported with governmental activities. (186,486)

Change in net position of governmental activities **\$ 1,039,108**

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

MURRAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Local sources:				
Property taxes	\$ 11,480,747	\$ 12,880,980	\$ 12,704,863	\$ (176,117)
Earnings on investments	120,000	213,128	180,993	(32,135)
Other	1,044,763	1,157,993	1,582,864	424,871
State sources	23,485,445	23,072,541	22,345,426	(727,115)
Federal sources	3,506,729	2,366,818	2,049,985	(316,833)
Total revenues	<u>39,637,684</u>	<u>39,691,460</u>	<u>38,864,131</u>	<u>(827,329)</u>
Expenditures:				
Current:				
Instruction	26,346,063	27,172,382	25,117,465	2,054,917
Supporting services:				
Student	1,947,686	2,055,701	2,043,406	12,295
Instructional staff	1,940,694	1,848,748	1,433,949	414,799
General administration	814,600	829,812	827,656	2,156
School administration	2,704,840	2,544,276	2,479,157	65,119
Central	1,280,680	1,288,189	1,190,811	97,378
Operation and maintenance of facilities	4,281,332	3,821,976	3,573,033	248,943
Student transportation	824,077	715,862	833,039	(117,177)
Community services	670,624	514,475	498,132	16,343
Total expenditures	<u>40,810,596</u>	<u>40,791,421</u>	<u>37,996,648</u>	<u>2,794,773</u>
Deficiency of revenues under expenditures / net change in fund balances	(1,172,912)	(1,099,961)	867,483	1,967,444
Fund balances - beginning	<u>8,902,146</u>	<u>8,902,146</u>	<u>8,902,146</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,729,234</u>	<u>\$ 7,802,185</u>	<u>\$ 9,769,629</u>	<u>\$ 1,967,444</u>

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

MURRAY CITY SCHOOL DISTRICT
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Cash and investments	\$ 1,068,136
Net OPEB asset	<u>85,010</u>
Total assets	<u>1,153,146</u>
Liabilities:	
District retirement benefit	<u>400,708</u>
Net position, unrestricted	<u><u>\$ 752,438</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Revenues:	
Charges for services	\$ 302,829
Expenses:	
Supporting services:	
Health care benefits	407,882
Benefit payouts	<u>92,997</u>
Total expenses	<u>500,879</u>
Operating loss	(198,050)
Nonoperating revenue:	
Earnings on investments	<u>11,564</u>
Change in net position	(186,486)
Net position - beginning	<u>938,924</u>
Net position - ending	<u><u>\$ 752,438</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Statement of Fund Cash Flows
Proprietary Fund
Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Insurance premiums received from users	\$ 302,829
Cash paid to insurance provider	(407,882)
Cash paid to retirees	<u>(216,817)</u>
Net cash used by operating activities	<u>(321,870)</u>
Cash flows from investing activities:	
Interest received on investments	<u>11,564</u>
Change in cash and cash equivalents	(310,306)
Cash and cash equivalents - beginning	<u>1,378,442</u>
Cash and cash equivalents - ending	<u><u>\$ 1,068,136</u></u>
Displayed on statement of fund net position as cash and investments	
Supplemental data:	
The proprietary fund type had no noncash investing, noncapital financing, or capital and related financing activities.	
A reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (198,050)
Decrease in district retirement benefit	(35,433)
Increase in net OPEB asset	(85,010)
Decrease in net OPEB obligation	<u>(3,377)</u>
Net cash used by operating activities	<u><u>\$ (321,870)</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Murray City School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The District is not a component unit of any other primary government. As required by GAAP, these financial statements present the District and its blended component unit, Murray Education Foundation (Foundation), for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the District’s operations.

The Murray Education Foundation, a blended component unit reported as a special revenue fund of the District, is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation’s board is approved by the Board of Education. The Foundation exclusively services the District. The District makes all personnel decisions and pays all operating costs for the Foundation.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net position and the statement of activities) display information about the primary government (the District) and its blended component unit. These statements include the financial activities of the overall District. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District’s funds, including its blended component unit. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal service.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Additionally, the District reports the following fund type:

- The *lifetime insurance internal service fund* (a proprietary fund) is an insurance pool used to accumulate premiums charged to other funds of the District and used to pay District retirement benefits (see Note 5) and post-retirement health care benefits for eligible employees retiring on or after June 30, 1988 (see Note 8).

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* and proprietary fund financial statements are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when cash is received by the District.

Budgetary data – The District operates within the budget requirements for school districts as specified by state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds except the *Murray Education*

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Foundation special revenue fund. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance commitment. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when additional data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2013, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. Investments of the District, as well as for its component unit, are reported at fair value at year end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and cash equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurers' Investment Fund (PTIF).

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are recorded as revenue when received. Inventories reported in the governmental funds are equally offset by a nonspendable portion of fund balance, indicating they are not expected to be converted to cash.

Prepaid items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when paid.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Capital assets – Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land and equipment and \$100,000 for buildings. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or significantly extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, portable classrooms, and remodels	15 to 50
Furniture and fixtures	10
Equipment	5 to 10
Vehicles and buses	7 to 10

Compensated absences – Under terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated vacation days. No reimbursement or accrual is made for unused sick leave.

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as refunding costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as an other financing use.

Deferred outflows/inflows of resources – Beginning with 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new statements resulted in a restatement of the District's government-wide net position beginning balance (see Note 11).

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

In addition to assets, the financial statements will sometimes report 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements 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 has two items, one of which arises only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, *unavailable property tax revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied for future year*, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2013 for the 2013-2014 school year.

Net position/fund balances – The residual of all other elements presented in a statement of net position is *net position* on the government-wide and proprietary fund financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- **Nonspendable** – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to prepaid items and inventories are classified as nonspendable.
- **Restricted** – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include unspent tax revenue for specific purposes (debt service and capital projects) and amounts in other governmental funds (*school lunch fund*).
- **Committed** – This category includes amounts that can only be used for specific purposes established by formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

- a) As defined in Utah law as an “undistributed reserve,” the District maintains for economic stabilization up to five percent of *general fund* budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees” and the use of this reserve requires a written resolution adopted by a majority vote of the Board of Education filed with the Utah State Board of Education and the Utah State Auditor.
 - b) The District has committed *general fund* resources for compensated absences and retirement benefits for employees and early retirement and health care benefits for eligible retirees.
 - c) The District has committed other governmental fund resources to support District activities at schools including athletics, textbooks, field trips, music programs, book fairs, and school plays.
 - d) The District has committed other governmental fund resources for community recreation programs.
 - e) The District has committed other governmental fund resources to the Murray Education Foundation to be used for fund raising, operations, schools, and other purposes.
- Unassigned – Residual balances in the *general fund* are classified as unassigned.

Net position/fund balance flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

- Net Position – It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position.
- Fund Balance – It is the District’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. DEPOSITS AND INVESTMENTS

The District complies with the State Money Management Act (Utah Code Title 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the PTIF, certificates of deposit, U.S. Treasury obligations, U.S. agency

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow Murray Education Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

The District's investments are with the PTIF and in corporate and government bonds through a broker. The Foundation has deposits separate from the District and invests private funds through a broker.

The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer. The portfolio has a weighted average maturity of 74 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2013 the District's investments in corporate and government bonds are rated A- and BAA2- or higher by Standard & Poor's and Moody's Investors Service, Inc., respectively.

A reconciliation of cash and investments at June 30, 2013, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 1,219,339
Carrying amount of investments	<u>60,917,689</u>
Total deposits and investments	<u><u>\$ 62,137,028</u></u>
Cash and investments - governmental funds, balance sheet	\$ 61,068,892
Cash and investments - internal service funds, statement of fund net position	<u>1,068,136</u>
Total cash and investments	<u><u>\$ 62,137,028</u></u>

Deposits – At June 30, 2013, the District and Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Murray City School District	\$ 1,038,954	\$ 1,278,868	\$ 252,859
Murray Education Foundation	<u>180,385</u>	<u>181,386</u>	<u>181,386</u>
	<u><u>\$ 1,219,339</u></u>	<u><u>\$ 1,460,254</u></u>	<u><u>\$ 434,245</u></u>

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

- **Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2013, the District's bank deposits were uncollateralized nor is it required by law.

Investments – At June 30, 2013, the District and Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Murray City School District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 53,234,446	\$ 53,234,446	\$ -	\$ -	\$ -
Corporate bonds	6,913,969	6,913,969	-	-	-
Murray Education Foundation:					
Utah Public Treasurers' Investment Fund (PTIF)	552,298	552,298	-	-	-
Corporate bonds	199,285	199,285	-	-	-
Government bonds	17,691	-	-	-	17,691
Total investments	\$ 60,917,689	\$ 60,899,998	\$ -	\$ -	\$ 17,691

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices. As of June 30, 2013, the District's investments in corporate and government bonds were rated at A or higher by Standard and Poor's. The PTIF is not rated.
- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

- Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The District's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Salt Lake County (the County) treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2.5% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 31 of the following year, these delinquent taxes, including penalties, are subject to an interest charge; the interest period is from January 1 until date paid.

An annual uniform fee based on the value of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Legislation requires motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2013, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2013 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 17,736,806	\$ 5,000	\$ -	\$ 17,741,806
Construction in progress	<u>-</u>	<u>4,395,437</u>	<u>-</u>	<u>4,395,437</u>
Total capital assets, not being depreciated	17,736,806	4,400,437	-	22,137,243
Capital assets, being depreciated:				
Buildings	57,908,014	-	-	57,908,014
Equipment	<u>4,164,339</u>	<u>200,618</u>	<u>(132,892)</u>	<u>4,232,065</u>
Total capital assets, being depreciated	62,072,353	200,618	(132,892)	62,140,079
Accumulated depreciation for:				
Buildings	(20,947,039)	(1,226,174)	-	(22,173,213)
Equipment	<u>(2,827,410)</u>	<u>(265,890)</u>	<u>130,491</u>	<u>(2,962,809)</u>
Total accumulated depreciation	<u>(23,774,449)</u>	<u>(1,492,064)</u>	<u>130,491</u>	<u>(25,136,022)</u>
Total capital assets being depreciated, net	<u>38,297,904</u>	<u>(1,291,446)</u>	<u>(2,401)</u>	<u>37,004,057</u>
Governmental activities capital assets, net	<u><u>\$ 56,034,710</u></u>	<u><u>\$ 3,108,991</u></u>	<u><u>\$ (2,401)</u></u>	<u><u>\$ 59,141,300</u></u>

For the year ended June 30, 2013, depreciation expense was charged to functions of the District as follows:

Governmental activities:

Instruction	\$ 1,066,726
Supporting services:	
District administration	12,216
School administration	48,618
Central	17,773
Operation and maintenance of facilities	141,434
Student transportation	122,272
School lunch services	<u>83,025</u>
Total depreciation expense, governmental activities	<u><u>\$ 1,492,064</u></u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District is obligated at June 30, 2013 under construction commitments as follows:

<u>Project</u>	<u>Project Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
Longview Elementary	\$ 927,166	\$ 419,799	\$ 507,367
Riverview Jr. High	1,461,160	687,240	773,920
Murray High	1,935,489	491,679	1,443,810
Hillcrest Jr. High	29,873,498	2,796,719	27,076,779
Total	<u>\$ 34,197,313</u>	<u>\$ 4,395,437</u>	<u>\$ 29,801,876</u>

5. RETIREMENT PLANS

Defined benefit plans – The District contributes to the State and School Division cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS) and Plans (the System).

The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of *Utah Code* Title 49. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the System under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The contribution requirements of the System are authorized by state statute and specified by the Utah State Retirement Board. The District's required contribution rates (actuarially determined) to the System for the year ended June 30, 2013 range from 6.65% to 19.27% of covered salaries. Plan members in one of the plans are also required to contribute 1.00% of covered salaries.

For the years ended June 30, 2013, 2012, and 2011, the District contributed \$4,164,702, \$3,922,440, and \$3,713,781, respectively, and employees contributed \$80, \$0, and \$243, respectively, to the System. Contributions were equal to the required contributions for each year.

Defined contribution plans – The District participates in a deferred compensation plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the System. During the year ended June 30, 2013, District contributions for participating employees ranged from 1.50% to 10.00% of covered salaries based on the plan within the System.

Employees participating in the System can make additional contributions up to specified limits. For the year ended June 30, 2013, the District contributed \$579,812 and employee contributions totaled \$553,845. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$112,794 for the year ended June 30, 2013. The assets of the plan are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

In addition to the defined contribution and deferred compensation plans, the District offers its employees two tax-advantaged savings plans authorized by the Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2013 employee contributions totaled \$22,392 and \$2,200 to the Roth IRA and Traditional IRA, respectively. The assets of the plan are administered and held by URS and URS has the authority to amend the plan.

Early retirement benefits – The District provides an early retirement incentive program. Eligibility is restricted to those teachers and administrators with a minimum of ten years of service in the District who have reached the age of 62. Also, those who retire before the age of 62 and have 15 years with the District and a minimum of 25 years in education qualify for these benefits. Those qualifying under this plan, who choose to retire early, may receive benefits for up to three consecutive years. Benefits are determined by taking 50% each year of the difference between step three, lane one of the existing salary schedule and the basic contract amount which educators would have been paid had they continued their assignment for those retiring at age 62, 63, and 64, respectively. The District made \$285,761 in direct payments to retirees under this option for the year ended June 30, 2013.

District retirement benefit – During the year ended June 30, 2004, the District established a program which provides current employees who complete 25 years of service and are eligible (certified and administrative employees hired before July 1, 1992 and classified employees hired before September 1, 1988) a one-time payment of \$15,091, plus interest from June 30, 2004, in lieu of receiving post-retirement health care benefits (see Note 8). The present value of amounts payable for benefits in future periods as of June 30, 2013 is estimated at \$642,278; 37 employees are eligible to receive these benefits. Amounts paid annually have approximated the average annual cost of the benefit. Amounts payable at June 30, 2013 totaled \$400,708. The District retirement benefit is serviced by the *lifetime insurance internal service fund*.

6. RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund (Fund). The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to the Fund; the Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants pay experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The Utah Local Governments Trust covers all District employees for workers' compensation. Unemployment insurance is covered by the District on a pay-as-you-go basis; settled claims for the past three years have been insignificant.

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds payable	\$ 17,815,000	\$ 41,025,000	\$(12,415,000)	\$ 46,425,000	\$ 1,835,000
Bond premium	-	3,505,203	(100,973)	3,404,230	-
Total bonds payable, net	17,815,000	44,530,203	(12,515,973)	49,829,230	1,835,000
Compensated absences payable	70,839	143,414	(137,150)	77,103	77,103
Early retirement benefits payable	290,389	397,518	(285,761)	402,146	227,850
Net OPEB obligation	3,377	-	(3,377)	-	-
Total governmental activity long-term liabilities	<u>\$ 18,179,605</u>	<u>\$ 45,071,135</u>	<u>\$(12,942,261)</u>	<u>\$ 50,308,479</u>	<u>\$ 2,139,953</u>

Payments on the general obligation bonds are made by the *debt service fund* from property taxes levied for debt service and earnings on investments. Compensated absences and early retirement benefits will be paid primarily from the *general fund*.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2013, including interest payments are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,835,000	\$ 1,680,200	\$ 3,515,200
2015	1,925,000	1,589,125	3,514,125
2016	2,025,000	1,493,375	3,518,375
2017	2,070,000	1,443,250	3,513,250
2018	2,155,000	1,360,450	3,515,450
2019-2023	11,220,000	5,222,250	16,442,250
2024-2028	11,665,000	3,100,050	14,765,050
2029-2033	13,530,000	1,241,700	14,771,700
Total	<u>\$ 46,425,000</u>	<u>\$ 17,130,400</u>	<u>\$ 63,555,400</u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

General obligation bonds – General obligation school building bonds payable at June 30, 2013 with their outstanding balance are comprised of the following individual issues:

\$41,025,000 general obligation bonds and general obligation refunding, issued November 1, 2012, maturing February 1, 2033, interest from 2.0% and 5.0%	\$ 40,925,000
\$19,140,000 general obligation refunding bonds, issued October 15, 2002, maturing August 1, 2015, interest at 5.0%	<u>5,500,000</u>
	<u>\$ 46,425,000</u>

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2013 is about \$155.9 million. Net general obligation debt at June 30, 2013 is \$49.8 million, resulting in a legal debt margin of about \$106.1 million.

Bond issuance – In November 2012, the District issued \$32,145,000 of general obligation refunding bonds with a premium of \$1,601,611. The bonds were issued with interest rates ranging from 2.0% to 5.0% and will mature on February 1, 2033.

Advance refunding – In November 2012, the District issued \$8,880,000 of general obligation refunding bonds with a premium of \$1,903,592. The bonds were issued with interest rates ranging from 2.0% to 5.0% and will mature on February 1, 2033. The District issued the bonds to advance refund \$10,625,000 of outstanding Series 2002 general obligation refunding bonds. The District deposited the net proceeds along with other resources in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2002 general obligation refunding bonds. As a result, that portion of the Series 2002 general obligation refunding bonds is considered defeased, and the District has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 10 years by \$1,703,420. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,585,399.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan description – The District provides a life-time Medicare supplement insurance benefit for eligible retirees (contract employees age 65 or older, who have completed at least 15 years of service with the District, retired under the provisions of the Utah Retirement System, and retired prior to July 1, 2006) and their dependents through a health insurance plan offered through Educators Mutual. There are currently 104 retirees receiving benefit coverage. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

Funding policy – The District currently pays for postemployment benefits on a “pay-as-you-go” basis. These financial statements assume that “pay-as-you-go” funding will continue.

Annual OPEB cost and net OPEB (asset) obligation – The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer’s annual required contribution (ARC), an amount actuarially determined in accordance with current accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2013, the District's annual OPEB cost (expense) was \$299,847.

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

Annual required contribution	\$ 319,307
Interest on net OPEB obligation	135
Adjustment to annual required contribution	<u>(203)</u>
Annual OPEB cost (expense)	319,239
Contributions made	<u>(407,626)</u>
Decrease in net OPEB obligation	(88,387)
Net OPEB obligation - beginning	<u>3,377</u>
Net OPEB asset - ending	<u><u>\$ (85,010)</u></u>

The District's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for the current year and the two preceding years were as follows:

Year Ended June, 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
2013	\$ 319,239	\$ 407,626	127.7%	\$ (85,010)
2012	358,615	384,956	107.3%	3,377
2011	358,398	376,604	105.1%	29,718

Funded status and funding progress – The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 5,103,407
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 5,103,407</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	-
UAAL as a percentage of covered payroll	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the basic financial statements, presents the results of OPEB valuations as of July 1, 2012, 2010, and 2008 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

In the July 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.8% initially, reduced by decrements to an ultimate rate of 4.6% after seventy-one years. Both rates include a 2.75% inflation assumption. The actuarial value of assets was not determined as the District has not advance funded its obligation. The UAAL is being amortized as a level dollar amount over an open twenty-five year period.

9. LITIGATION AND LEGAL COMPLIANCE

At certain times, claims or lawsuits are pending in which the District is involved. The District's counsel and insurance carriers estimate that the District's potential obligations resulting from such claims or litigation would not materially affect the financial statements of the District.

All funds balances are positive at June 30, 2013. Expenditures in the *debt service fund* and *non K-12 programs fund* exceeded budgeted amounts by \$755,278 and \$22,258, respectively, for the year ended June 30, 2013.

10. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be insignificant.

11. RESTATEMENT

The beginning net position in the government-wide statement of net position for governmental activities has been restated to reflect the effects of implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reposted as Assets and Liabilities* (see Note 1) as follows:

	Government-wide Financial Statements <hr/> Governmental Activities <hr/>
Net position, as originally stated - June 30, 2012	\$ 64,725,829
Restate bond issuance costs as expense when incurred per GASB Statement Nos. 63 and 65	<hr/> (88,424)
Net position, as restated - June 30, 2012	<hr/> <u>\$ 64,637,405</u>

Required Supplementary Information

MURRAY CITY SCHOOL DISTRICT
Required Supplementary Information

Schedule of Funding Progress
Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Ratio Funded (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2012	\$ -	\$ 5,103,407	\$ 5,103,407	0.0%	\$ -	0.0%
July 1, 2010	-	6,225,584	6,225,584	0.0%	-	0.0%
July 1, 2008	-	5,423,709	5,423,709	0.0%	-	0.0%

Effective July 1, 2008, the District implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accordingly, the actuarial valuation dated July 1, 2008 is the first valuation to be reported. The District has elected to establish additional resources for the unfunded actuarial accrued liability (UAAL) by accumulating net position in its *lifetime insurance internal service fund* and by committing a portion of the fund balance in the general fund rather than making contributions to a pension trust fund. Doing so does not qualify as "funding" as defined by GASB.

**Combining and Individual Fund
Statements and Schedules**

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 12,880,980	\$ 12,704,863	\$ (176,117)	\$ 12,429,628
Earnings on investments	213,128	180,993	(32,135)	232,949
Other	1,157,993	1,582,864	424,871	1,247,219
State sources	23,072,541	22,345,426	(727,115)	22,060,958
Federal sources	2,366,818	2,049,985	(316,833)	2,080,138
Total revenues	<u>39,691,460</u>	<u>38,864,131</u>	<u>(827,329)</u>	<u>38,050,892</u>
Expenditures:				
Current:				
Salaries	25,714,861	24,510,003	1,204,858	24,763,227
Employee benefits	10,621,318	9,928,384	692,934	10,105,288
Purchased services	1,633,122	1,041,051	592,071	1,408,537
Supplies	2,477,720	2,174,508	303,212	2,334,924
Property	228,808	276,346	(47,538)	320,150
Other objects	115,592	66,356	49,236	33,069
Total expenditures	<u>40,791,421</u>	<u>37,996,648</u>	<u>2,794,773</u>	<u>38,965,195</u>
Deficiency of revenues under expenditures / net change in fund fund balances	(1,099,961)	867,483	1,967,444	(914,303)
Fund balances - beginning	<u>8,902,146</u>	<u>8,902,146</u>	<u>-</u>	<u>9,816,449</u>
Fund balances - ending	<u>\$ 7,802,185</u>	<u>\$ 9,769,629</u>	<u>\$ 1,967,444</u>	<u>\$ 8,902,146</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 2,442,104	\$ 2,425,605	\$ (16,499)	\$ 2,454,963
Earnings on investments	10,000	10,211	211	20,416
Total revenues	2,452,104	2,435,816	(16,288)	2,475,379
Expenditures:				
Principal retirement	1,690,000	1,790,000	(100,000)	1,620,000
Interest and other charges	389,719	972,886	(583,167)	826,536
Bond issuance costs	-	72,111	(72,111)	-
Total expenditures	2,079,719	2,834,997	(755,278)	2,446,536
Excess (deficiency) of revenues over (under) expenditures	372,385	(399,181)	(771,566)	28,843
Other financing sources (uses):				
Refunding bonds issued	-	8,880,000	8,880,000	-
Refunding bonds premium	-	1,903,592	1,903,592	-
Payment to refunding bonds escrow agent	-	(10,711,481)	(10,711,481)	-
Total other financing sources (uses)	-	72,111	72,111	-
Net change in fund balances	372,385	(327,070)	(699,455)	28,843
Fund balances - beginning	1,916,138	1,916,138	-	1,887,295
Fund balances - ending	<u>\$ 2,288,523</u>	<u>\$ 1,589,068</u>	<u>\$ (699,455)</u>	<u>\$ 1,916,138</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 3,122,922	\$ 2,907,707	\$ (215,215)	\$ 2,669,345
Earnings on investments	50,000	224,384	174,384	95,305
Other	-	125,000	125,000	25,686
State sources	13,218	-	(13,218)	7,086
Total revenues	<u>3,186,140</u>	<u>3,257,091</u>	<u>70,951</u>	<u>2,797,422</u>
Expenditures:				
Current:				
Purchased services	2,452,000	4,854,677	(2,402,677)	509,420
Supplies	769,432	576,932	192,500	403,186
Property	4,486,806	1,074,616	3,412,190	2,239,661
Bond issuance costs	135,000	245,905	(110,905)	-
Total expenditures	<u>7,843,238</u>	<u>6,752,130</u>	<u>1,091,108</u>	<u>3,152,267</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(4,657,098)	(3,495,039)	1,162,059	(354,845)
Other financing sources (uses):				
General obligation bonds issued	33,500,706	32,145,000	(1,355,706)	-
General obligation bonds premium	-	1,601,611	1,601,611	-
Total other financing sources (uses)	<u>33,500,706</u>	<u>33,746,611</u>	<u>245,905</u>	<u>-</u>
Net change in fund balances	28,843,608	30,251,572	1,407,964	(354,845)
Fund balances - beginning	<u>11,782,967</u>	<u>11,782,967</u>	<u>-</u>	<u>12,137,812</u>
Fund balances - ending	<u><u>\$ 7,125,869</u></u>	<u><u>\$ 42,034,539</u></u>	<u><u>\$ 1,162,059</u></u>	<u><u>\$ 11,782,967</u></u>

MURRAY CITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	
Assets:					
Cash and investments	\$ 195,168	\$ 326,320	\$ 949,659	\$ 774,675	\$ 2,245,822
Receivables:					
Other local	-	13,570	-	-	13,570
State of Utah	-	149,385	-	-	149,385
Federal government	49,303	14,369	-	-	63,672
Prepaid items	-	48,840	-	-	48,840
Total assets	<u>\$ 244,471</u>	<u>\$ 552,484</u>	<u>\$ 949,659</u>	<u>\$ 774,675</u>	<u>\$ 2,521,289</u>
Liabilities:					
Accounts payable	\$ 4,450	\$ 5,049	\$ -	\$ -	\$ 9,499
Unearned revenue:					
Other local	-	47,436	-	-	47,436
State of Utah	6,452	-	-	-	6,452
Federal government	34,822	-	-	-	34,822
Total liabilities	<u>45,724</u>	<u>52,485</u>	<u>-</u>	<u>-</u>	<u>98,209</u>
Fund balances:					
Nonspendable:					
Prepaid items	-	48,840	-	-	48,840
Restricted for:					
School lunch services	-	451,159	-	-	451,159
Committed to:					
Community recreation	198,747	-	-	-	198,747
Foundation programs	-	-	949,659	-	949,659
Student activities	-	-	-	774,675	774,675
Total fund balances	<u>198,747</u>	<u>499,999</u>	<u>949,659</u>	<u>774,675</u>	<u>2,423,080</u>
Total liabilities and fund balances	<u>\$ 244,471</u>	<u>\$ 552,484</u>	<u>\$ 949,659</u>	<u>\$ 774,675</u>	<u>\$ 2,521,289</u>

MURRAY CITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue				Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	
Revenues:					
Local sources:					
Lunch sales	\$ -	\$ 682,712	\$ -	\$ -	\$ 682,712
Earnings on investments	4,293	6,924	2,043	3,827	17,087
Other local revenues	336,005	13,318	92,131	1,791,272	2,232,726
State sources	264,264	342,440	-	-	606,704
Federal sources	76,405	1,135,344	-	-	1,211,749
Total revenues	<u>680,967</u>	<u>2,180,738</u>	<u>94,174</u>	<u>1,795,099</u>	<u>4,750,978</u>
Expenditures:					
Current:					
Instruction	305,214	-	46,701	1,790,509	2,142,424
Supporting services:					
School administration	92	-	-	-	92
Operation and maintenance of facilities	19,829	-	-	-	19,829
Community services	365,029	-	-	-	365,029
School lunch services	-	2,377,210	-	-	2,377,210
Total expenditures	<u>690,164</u>	<u>2,377,210</u>	<u>46,701</u>	<u>1,790,509</u>	<u>4,904,584</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(9,197)	(196,472)	47,473	4,590	(153,606)
Fund balances - beginning	<u>207,944</u>	<u>696,471</u>	<u>902,186</u>	<u>770,085</u>	<u>2,576,686</u>
Fund balances - ending	<u>\$ 198,747</u>	<u>\$ 499,999</u>	<u>\$ 949,659</u>	<u>\$ 774,675</u>	<u>\$ 2,423,080</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ 372,778
Earnings on investments	575	4,293	3,718	746
Other local revenue	334,300	336,005	1,705	276,927
State sources	267,597	264,264	(3,333)	297,756
Federal sources	40,234	76,405	36,171	79,952
Total revenues	<u>642,706</u>	<u>680,967</u>	<u>38,261</u>	<u>1,028,159</u>
Expenditures:				
Current:				
Salaries	394,795	425,990	(31,195)	680,730
Employee benefits	168,753	126,750	42,003	194,462
Purchased services	66,749	62,369	4,380	95,275
Supplies	24,060	62,783	(38,723)	63,542
Property	1,394	-	1,394	2,266
Other objects	12,155	12,272	(117)	102,118
Total expenditures	<u>667,906</u>	<u>690,164</u>	<u>(22,258)</u>	<u>1,138,393</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(25,200)	(9,197)	16,003	(110,234)
Fund balances - beginning	<u>207,944</u>	<u>207,944</u>	<u>-</u>	<u>318,178</u>
Fund balances - ending	<u><u>\$ 182,744</u></u>	<u><u>\$ 198,747</u></u>	<u><u>\$ 16,003</u></u>	<u><u>\$ 207,944</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Lunch sales	\$ 970,000	\$ 682,712	\$ (287,288)	\$ 817,054
Earnings on investments	3,000	6,924	3,924	8,015
Other local revenue	16,500	13,318	(3,182)	15,235
State sources	295,000	342,440	47,440	334,875
Federal sources	1,108,000	1,135,344	27,344	1,189,842
Total revenues	<u>2,392,500</u>	<u>2,180,738</u>	<u>(211,762)</u>	<u>2,365,021</u>
Expenditures:				
Current:				
Salaries	755,974	712,505	43,469	744,026
Benefits	280,194	242,553	37,641	264,694
Purchased services	51,129	37,188	13,941	31,948
Supplies	1,230,460	1,132,923	97,537	1,232,772
Property	35,000	20,179	14,821	35,573
Other objects	157,435	231,862	(74,427)	52,653
Total expenditures	<u>2,510,192</u>	<u>2,377,210</u>	<u>132,982</u>	<u>2,361,666</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(117,692)	(196,472)	(78,780)	3,355
Fund balances - beginning	<u>696,471</u>	<u>696,471</u>	<u>-</u>	<u>693,116</u>
Fund balances - ending	<u><u>\$ 578,779</u></u>	<u><u>\$ 499,999</u></u>	<u><u>\$ (78,780)</u></u>	<u><u>\$ 696,471</u></u>

MURRAY CITY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Murray Education Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Local sources:		
Contributions	\$ 92,131	\$ 283,627
Earnings on investments	<u>2,043</u>	<u>2,058</u>
Total revenues	<u>94,174</u>	<u>285,685</u>
Expenditures:		
Current:		
Instruction	<u>46,701</u>	<u>48,209</u>
Excess of revenues over expenditures / net change in fund balances	47,473	237,476
Fund balances - beginning	<u>902,186</u>	<u>664,710</u>
Fund balances - ending	<u><u>\$ 949,659</u></u>	<u><u>\$ 902,186</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activities
Nonmajor Special Revenue Fund
Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ -	\$ 3,827	\$ 3,827	\$ 4,569
Other local revenue	1,500,000	1,791,272	291,272	1,557,250
Total revenues	1,500,000	1,795,099	295,099	1,561,819
Expenditures:				
Current:				
Purchased services	157,000	695,321	(538,321)	567,237
Supplies	1,536,636	759,462	777,174	639,994
Property	7,000	62,135	(55,135)	45,722
Other objects	150,000	273,591	(123,591)	277,347
Total expenditures	1,850,636	1,790,509	60,127	1,530,300
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(350,636)	4,590	355,226	31,519
Fund balances - beginning	770,085	770,085	-	738,566
Fund balances - ending	\$ 419,449	\$ 774,675	\$ 355,226	\$ 770,085

OTHER INFORMATION
(Unaudited)

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF NET POSITION
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
June 30, 2013 through 2009

	2013	2012	2011	2010	2009
Assets:					
Cash and investments	\$ 62,137,028	\$ 30,203,263	\$ 31,309,076	\$ 32,213,086	\$ 31,109,069
Receivables:					
Property taxes	19,495,080	17,393,802	17,179,433	16,582,363	15,429,459
Other local	15,785	140,732	525,213	2,251	27,897
State of Utah	182,974	335,991	186,274	296,815	84,126
Federal government	2,011,923	2,010,783	2,450,646	809,611	152,566
Prepaid items	48,840	-	-	-	-
Inventories	588,061	498,688	755,502	714,683	965,684
Net OPEB asset	85,010	-	-	-	65,021
Capital assets:					
Land and construction in progress	22,137,243	17,736,806	16,067,445	14,735,553	13,835,247
Buildings and equipment, net of accumulated depreciation	37,004,057	38,297,904	39,465,887	40,620,128	41,618,605
Total assets	<u>143,706,001</u>	<u>106,617,969</u>	<u>107,939,476</u>	<u>105,974,490</u>	<u>103,287,674</u>
Deferred outflows of resources:					
Deferred amounts on refundings	<u>556,692</u>	<u>514,422</u>	<u>578,062</u>	<u>641,701</u>	<u>705,341</u>
Liabilities:					
Accounts payable	4,331,581	2,613,995	2,809,853	1,793,369	2,060,096
Accrued interest	718,313	324,766	355,841	385,615	414,640
Accrued salaries and benefits	3,199,843	3,160,631	3,126,541	2,902,635	3,139,614
Unearned revenue:					
Other local	63,615	51,206	58,045	36,900	48,602
State of Utah	849,335	1,207,369	1,365,594	1,490,672	1,900,296
Federal government	38,302	19,911	23,367	13,198	14,805
Noncurrent liabilities:					
Due and payable within one year	2,045,843	1,882,834	1,789,677	1,800,936	1,875,168
Due and payable after one year	<u>48,262,636</u>	<u>16,296,771</u>	<u>17,906,733</u>	<u>19,636,701</u>	<u>21,302,833</u>
Total liabilities	<u>59,509,468</u>	<u>25,557,483</u>	<u>27,435,651</u>	<u>28,060,026</u>	<u>30,756,054</u>
Deferred inflows of resources:					
Property taxes levied for future year	<u>19,076,712</u>	<u>16,937,503</u>	<u>16,643,263</u>	<u>16,182,042</u>	<u>14,992,518</u>
Net position:					
Net investment in capital assets	37,618,325	38,734,132	36,676,394	34,907,078	33,577,949
Restricted for:					
Debt service	1,192,106	1,660,449	1,611,641	1,613,452	1,707,853
Capital projects	14,347,405	11,823,367	12,184,787	11,567,268	9,044,795
Community recreation	-	707,773	706,281	696,688	674,157
School lunch services	552,778	207,944	318,178	338,211	444,570
Transportation	-	60,938	51,739	71,085	71,085
Unrestricted	<u>11,965,899</u>	<u>11,442,802</u>	<u>12,889,604</u>	<u>13,180,341</u>	<u>12,724,034</u>
Total net position	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>	<u>\$ 62,374,123</u>	<u>\$ 58,244,443</u>

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
Years Ended June 30, 2013 through 2009

	2013	2012	2011	2010	2009
Expenses:					
Instruction	\$ 30,043,867	\$ 29,984,312	\$ 29,903,695	\$ 29,669,641	\$ 30,860,487
Supporting services:					
Student	2,044,784	1,723,176	1,763,044	1,679,543	1,864,053
Instructional staff	1,440,676	1,789,506	1,554,908	1,685,470	1,685,054
General administration	1,157,888	1,127,919	778,709	788,927	792,223
School administration	2,527,867	2,542,028	2,453,638	2,458,705	2,608,464
Central	1,525,412	1,677,403	1,575,102	1,339,474	1,399,858
Operation and maintenance of facilities	4,218,582	4,227,793	4,119,525	4,042,899	4,337,791
Student transportation	955,311	1,062,989	948,326	1,060,380	1,062,998
School lunch services	2,460,235	2,445,521	2,494,372	2,392,552	2,135,143
Community services	863,161	898,992	843,688	847,603	1,009,160
Interest on long-term liabilities	1,309,671	848,161	956,241	985,891	1,052,443
Total school district	<u>48,547,454</u>	<u>48,327,800</u>	<u>47,391,248</u>	<u>46,951,085</u>	<u>48,807,674</u>
Program revenues:					
Instruction	7,875,378	7,420,401	9,291,059	9,005,983	7,368,271
Supporting services:					
Student	572,124	498,606	440,881	293,355	276,883
Instructional staff	214,581	301,029	280,425	625,542	1,094,202
General administration	196,136	195,127	181,340	151,292	188,582
School administration	2,584	1,299	101	99	149
Central	473	240	552	-	-
Operation and maintenance of facilities	68,911	90,076	137,074	80,545	95,727
Student transportation	423,519	451,666	475,616	695,394	560,294
School lunch services	2,173,814	2,357,006	2,420,362	2,388,431	2,305,576
Community services	541,707	498,830	351,420	310,020	408,675
Total program revenues	<u>12,069,227</u>	<u>11,814,280</u>	<u>13,578,830</u>	<u>13,550,661</u>	<u>12,298,359</u>
Net (expense) revenue	<u>(36,478,227)</u>	<u>(36,513,520)</u>	<u>(33,812,418)</u>	<u>(33,400,424)</u>	<u>(36,509,315)</u>
General revenues:					
Property taxes	18,002,328	17,867,632	17,380,266	17,534,838	17,965,104
Federal and state aid not restricted to specific purposes	17,245,373	17,258,358	17,567,659	18,419,978	19,650,920
Earnings on investments	444,239	377,904	229,269	585,780	643,322
Miscellaneous	1,825,395	1,208,407	699,725	989,508	1,987,299
Total general revenues	<u>37,517,335</u>	<u>36,712,301</u>	<u>35,876,919</u>	<u>37,530,104</u>	<u>40,246,645</u>
Change in net position	1,039,108	198,781	2,064,501	4,129,680	3,737,330
Net position - beginning	<u>64,637,405</u>	<u>64,438,624</u>	<u>62,374,123</u>	<u>58,244,443</u>	<u>54,507,113</u>
Net position - ending	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>	<u>\$ 62,374,123</u>	<u>\$ 58,244,443</u>

Source: District records

MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013 through 2009

	2013	2012	2011	2010	2009
Assets:					
Cash and investments	\$ 13,525,934	\$ 12,294,577	\$ 12,868,988	\$ 13,862,899	\$ 15,064,492
Accounts receivable:					
Property taxes	12,353,750	11,623,979	10,378,714	9,897,878	9,345,788
Other local	2,215	127,652	425,832	-	15,400
State of Utah	33,589	212,719	75,585	252,829	8,500
Federal government	1,948,251	1,973,548	2,404,162	766,461	117,928
Inventories	588,061	498,688	755,502	671,425	884,592
Due from other funds	-	199,285	-	-	-
Total assets	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</u>	<u>\$ 25,451,492</u>	<u>\$ 25,436,700</u>
Liabilities:					
Accounts payable	\$ 2,248,809	\$ 2,048,589	\$ 2,234,200	\$ 1,335,735	\$ 1,729,761
Accrued salaries and benefits	3,199,843	3,112,877	3,083,947	2,869,666	3,094,253
Unearned revenue:					
Local	16,179	21,462	23,252	-	13,286
State of Utah	842,883	1,205,016	1,365,594	1,486,438	1,888,317
Federal government	3,480	3,967	10,146	13,198	14,805
Total liabilities	<u>6,311,194</u>	<u>6,391,911</u>	<u>6,717,139</u>	<u>5,705,037</u>	<u>6,740,422</u>
Deferred inflows of resources:					
Unavailable property tax revenue	321,351	472,406	431,488	394,781	384,035
Property taxes levied for future year	12,049,626	11,163,985	9,943,707	9,502,752	8,929,076
Total deferred inflows of resources	<u>12,370,977</u>	<u>11,636,391</u>	<u>10,375,195</u>	<u>9,897,533</u>	<u>9,313,111</u>
Fund balances:					
Nonspendable:					
Inventories	588,061	498,688	755,502	671,425	884,592
Restricted for:					
Other purposes	-	60,938	51,739	71,085	71,085
Committed to:					
Economic stabilization	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Employee and retiree benefits	5,238,358	5,238,358	5,238,358	5,238,358	4,738,358
Unassigned	1,943,210	1,104,162	1,770,850	1,868,054	1,689,132
Total fund balances	<u>9,769,629</u>	<u>8,902,146</u>	<u>9,816,449</u>	<u>9,848,922</u>	<u>9,383,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</u>	<u>\$ 25,451,492</u>	<u>\$ 25,436,700</u>

Note: The District implemented GASB Statements No. 54 in 2011. Fund balance categories for all years have been restated to reflect the new statement as if commitments had been approved in those years.

MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2013 through 2009 with Anticipated Budget for 2014

	Anticipated Budget 2014	2013	2012	2011	2010	2009
Revenues:						
Property taxes	\$ 13,632,250	\$ 12,704,863	\$ 12,429,628	\$ 11,210,164	\$ 10,565,553	\$ 10,985,512
Earnings on investments	213,128	180,993	232,949	106,823	427,111	296,723
Other local revenue	960,745	1,582,864	1,247,219	882,628	1,110,007	506,717
State sources	23,578,264	22,345,426	22,060,958	22,390,362	22,892,573	24,002,765
Federal sources	2,221,618	2,049,985	2,080,138	3,594,712	4,296,485	4,366,277
Total revenues	40,606,005	38,864,131	38,050,892	38,184,689	39,291,729	40,157,994
Expenditures:						
Current:						
Instruction	27,797,596	25,117,465	25,798,621	25,739,288	26,379,638	26,977,099
Support services:						
Student	2,112,684	2,043,406	1,719,344	1,754,484	1,679,372	1,861,176
Instructional staff	1,706,124	1,433,949	1,789,007	1,554,908	1,673,826	1,685,054
General administration	782,778	827,656	1,117,197	767,752	778,205	781,058
School administration	2,635,903	2,479,157	2,493,320	2,408,644	2,413,114	2,562,823
Central	1,330,185	1,190,811	1,504,572	1,156,905	1,161,726	1,207,548
Operation and maintenance of facilities	3,848,906	3,573,033	3,611,771	3,921,035	3,623,088	3,894,992
Student transportation	735,673	833,039	800,502	801,746	807,164	879,736
Capital outlay	-	-	-	-	295,920	-
Community services	515,520	498,132	130,861	112,400	106,456	109,288
Total expenditures	41,465,369	37,996,648	38,965,195	38,217,162	38,918,509	39,958,774
Excess (deficiency) of revenues over (under) expenditures	(859,364)	867,483	(914,303)	(32,473)	373,220	199,220
Other financing sources (Uses):						
Transfers in	-	-	-	-	92,535	340,720
Change in fund balances	(859,364)	867,483	(914,303)	(32,473)	465,755	539,940
Fund balances - beginning	9,769,629	8,902,146	9,816,449	9,848,922	9,383,167	8,843,227
Fund balances - ending	<u>\$ 8,910,265</u>	<u>\$ 9,769,629</u>	<u>\$ 8,902,146</u>	<u>\$ 9,816,449</u>	<u>\$ 9,848,922</u>	<u>\$ 9,383,167</u>

Source: District records

MURRAY CITY SCHOOL DISTRICT
HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY

Tax (Calendar) Years 2012 through 2008

	2012		2011	2010	2009	2008
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by state tax commission-centrally assessed	\$ 42,576,654	1.4 %	\$ 49,769,449	\$ 49,154,777	\$ 50,234,013	\$ 55,905,182
Set by county assessor-locally assessed						
Real property:						
Primary residential	1,206,067,631	40.9	1,256,582,040	1,274,080,389	1,317,338,230	1,467,239,633
Other residential	22,431,230	0.8	24,124,360	26,337,730	25,856,220	32,424,660
Commercial and industrial	1,374,324,080	46.6	1,350,635,910	1,361,584,890	1,414,620,920	1,671,257,040
Agriculture buildings	106,660	0.0	102,870	111,330	115,840	93,260
Unimproved non FAA	6,510	0.0	6,380	6,370	6,270	6,140
Total real property	2,602,936,111	88.3	2,631,451,560	2,662,120,709	2,757,937,480	3,171,020,733
Personal property:						
Primary mobile homes	5,557,163	0.2	5,778,968	5,934,862	6,292,843	6,264,956
Secondary mobile homes	147,575	0.0	108,106	113,476	187,944	127,313
Other business personal	207,929,139	7.1	188,765,015	203,678,035	218,478,278	212,140,224
Total personal property	213,633,877	7.2	194,652,089	209,726,373	224,959,065	218,532,493
Fee in lieu property	89,306,352	3.0	90,723,186	194,568,126	191,659,827	204,055,787
Total locally assessed	2,905,876,340	98.6	2,916,826,835	3,066,415,208	3,174,556,372	3,593,609,013
Total taxable value (TV)	\$ 2,948,452,994	100.0 %	\$ 2,966,596,284	\$ 3,115,569,985	\$ 3,224,790,385	\$ 3,649,514,195
Total taxable value (less fee in lieu)	\$ 2,859,146,642		\$ 2,875,873,098	\$ 2,921,001,859	\$ 3,033,130,558	\$ 3,445,458,408

Source: Property Tax Division, Utah State Tax Commission

MURRAY CITY SCHOOL DISTRICT
TAX RATES AND COLLECTIONS

Years Ended June 30, 2013 through 2009 with Anticipated Budget for 2014

	Anticipated Budget											
	2014		2013		2012		2011		2010		2009	
	Tax Rate	Budget	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
General fund:												
Basic levy	0.001535	\$ 4,484,509	0.001651	\$ 4,758,747	0.001591	\$ 4,632,853	0.001495	\$ 4,339,744	0.001433	\$ 4,439,223	0.001250	\$ 4,520,724
Voted local levy	0.001756	5,130,162	0.001786	5,147,862	0.000000	-	0.000000	-	0.000000	-	0.000000	-
Board local levy	0.001123	3,280,850	0.000892	2,571,049	0.000000	-	0.000000	-	0.000000	-	0.000000	-
Voted leeway	0.000000	-	0.000000	-	0.001815	5,285,121	0.001786	5,184,470	0.001660	5,142,435	0.001512	5,468,267
Reading program	0.000000	-	0.000000	-	0.000120	349,429	0.000118	342,535	0.000110	340,764	0.000100	361,658
Special transportation	0.000000	-	0.000000	-	0.000119	346,518	0.000117	339,632	0.000099	306,687	0.000085	307,409
Tort liability	0.000000	-	0.000000	-	0.000018	52,414	0.000471	1,367,237	0.000000	-	0.000000	-
10% of basic levy	0.000000	-	0.000000	-	0.000479	1,394,806	0.000018	52,251	0.000017	52,663	0.000014	50,632
Total general fund	0.004414	12,895,521	0.004329	12,477,658	0.004142	12,061,141	0.004005	11,625,869	0.003319	10,281,772	0.002961	10,708,690
Non K-12 programs fund:												
Community recreation	0.000000	-	0.000000	-	0.000134	390,196	0.000132	383,175	0.000123	381,036	0.000123	444,839
Debt service fund:												
Debt service	0.001307	3,818,407	0.000841	2,424,049	0.000819	2,384,856	0.000804	2,333,882	0.000732	2,267,628	0.000650	2,350,776
Capital projects fund:												
Capital local	0.000682	1,992,466	0.000711	2,049,345	0.000506	1,473,428	0.000388	1,126,302	0.000327	1,012,998	0.000709	2,564,155
Capital outlay equalized	0.000600	1,616,247	0.000600	1,110,856	0.000600	1,121,264	0.000600	1,237,693	0.000600	1,900,997	0.000000	-
10% of basic levy	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000383	1,186,478	0.000351	1,269,419
Total capital projects fund	0.001282	3,608,713	0.001311	3,160,201	0.001106	2,594,692	0.000988	2,363,995	0.001310	4,100,473	0.001060	3,833,574
Total tax rate / collections	0.007003	\$ 20,322,641	0.006481	\$ 18,061,908	0.006201	\$ 17,430,885	0.005929	\$ 16,706,921	0.005484	\$ 17,030,909	0.004794	\$ 17,337,880

Note: Tax rates are levied for the calendar year. This schedule reports collections for fiscal years ended June 30. For example, calendar year 2012 tax rates are for the District's fiscal year ended June 30, 2013. Collections are allocated using current tax rates. Collections will differ from tax revenue reported in the financial statements depending on the basis of accounting and allocation methods used.

MURRAY CITY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
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 <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5
Summary Schedule of Prior Audit Findings	7
Schedule of Findings and Questioned Costs	8
Independent Auditor's Report on Each General State Compliance Requirement Tested and Report on Internal Control Over Compliance in Accordance with the <i>State of Utah</i> <i>Legal Compliance Audit Guide</i>	9
Letter to Management	12

MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Pass- Through Number	District's Program Number	Receivable (Unearned) June 30, 2012	Received	Expended	Receivable (Unearned) June 30, 2013
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through State of Utah Board of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	44	8001	\$ -	\$ 140,859	\$ 142,928	\$ 2,069
National School Lunch Program	10.555	42	8001	-	853,755	866,055	12,300
National School Lunch Program (Donated Commodities)	10.555		8001	-	126,362	126,362	-
Passed Through Salt Lake County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665		0050	-	1,364	1,364	-
				-	1,122,340	1,136,709	14,369
U.S. DEPARTMENT OF EDUCATION:							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060		7608	18,990	18,990	33,926	33,926
Passed Through State of Utah Board of Education:							
<i>Title I, Part A Cluster:</i>							
Title I Grants to Local Educational Agencies	84.010	08	7511	551,098	557,225	612,017	605,890
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	7551	1,091,739	1,068,334	1,031,362	1,054,767
Special Education - Preschool Grants	84.173	52	7550	34,435	34,435	34,234	34,234
Career and Technical Education - Basic Grants to States	84.048	21	6000	62,441	127,657	65,216	-
Tech-Prep Education	84.243	26	6000	-	2,211	2,211	-
English Language Acquisition State Grants	84.365	73	7507	36,619	36,619	33,404	33,404
Improving Teacher Quality State Grants	84.367	74	7505	180,751	180,751	184,971	184,971
Education Jobs Fund	84.410	9N	7669	16,110	16,110	-	-
				1,992,183	2,042,332	1,997,341	1,947,192
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through State of Utah Department of Human Services:							
Head Start	93.600		7321	2,800	7,740	9,914	4,974
Passed Through DDI Vantage:							
Head Start	93.600		1280	(15,944)	41,040	32,257	(24,727)
Passed Through Jordan School District:							
Block Grants for Prevention and Treatment of Substance Abuse	93.959		7609	(3,967)	-	487	(3,480)
				(17,111)	48,780	42,658	(23,233)
Total federal awards				\$ 1,975,072	\$ 3,213,452	\$ 3,176,708	\$ 1,938,328

See the accompanying notes to this schedule.

MURRAY CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General – The schedule of expenditures of federal awards presents the activity of all federal award programs of Murray City School District (the District). The District reporting entity is defined in Note 1 to the District’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note B. Basis of Accounting – The accompanying schedule of expenditures of federal awards is reported using the modified accrual basis of accounting for awards received by governmental funds as described in Note 1 to the District’s basic financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue until earned. Donated food commodities are recorded at fair value in the School Food Services Fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption and totaled \$126,362 for the year ended June 30, 2013.

Note C. Relationship to the District’s Financial Statements – The District received Medical Assistance Program grant monies through the State of Utah Department of Health. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2013 is as follows:

General fund	\$ 2,049,985
Special revenue funds:	
Non K-12 programs	76,405
School lunch	<u>1,135,344</u>
Total governmental funds	3,261,734
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(85,026)</u>
Total federal revenue reported on the schedule of expenditures of federal awards (SEFA)	<u><u>\$ 3,176,708</u></u>



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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*

Board of Education
Murray City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District (the 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, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 the District's financial statements are free from 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*.

Purpose of this Report

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

Squire & Company, PC

Orem, Utah
November 27, 2013



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Independent Auditor's Report on Compliance for Each Major Federal
Program; Report on Internal Control Over Compliance; and Report on Schedule
of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Education
Murray City School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Murray City School District (the District) 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 the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the 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 over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Murray City School District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Squire & Company, PC

Orem, Utah
November 27, 2013

MURRAY CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

No matters were reported in the prior year audit.

MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes X no

-Significant deficiencies identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes X no

-Significant deficiencies identified that are
not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster (IDEA):</i>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



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Independent Auditor's Report on Each General State Compliance
Requirement Tested and on Compliance for Each Major State Program
and Report on Internal Control Over Compliance
in Accordance with the *State of Utah Legal Compliance Audit Guide*

Board of Education
Murray City School District

Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program

We have audited the compliance of Murray City School District (the District) with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

General state compliance requirements tested for the year ended June 30, 2013 are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Locally Generated Taxes and Fees
- School Fees
- Conflicts of Interest
- Nepotism

The District's state award classified as a major program for the year ended June 30, 2013 is as follows:

Minimum School Program (passed through the State of Utah Office of Education)

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the 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 the *State of Utah Legal Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a general state compliance requirement or a major state program

occurred. An audit includes examining, on a test basis, evidence about the 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 general state compliance requirement tested and each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each General State Compliance Requirement Tested and Each Major State Program

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

We noted certain other matters that we have reported to management of the District in the accompanying letter to management dated November 27, 2013. Management's response to those matters is described in the letter to management. We did not audit management's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state requirements that could have a direct and material effect on each general state compliance requirement tested and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each general state compliance requirement tested and each major state program and to test and report on internal control over compliance in accordance with the *State of Utah Legal Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 state compliance requirement 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 state compliance requirement 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 state compliance requirement 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 over compliance and the results of that testing based on the requirements of the *State of Utah Legal Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
November 27, 2013



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Letter to Management

Board of Education
Murray City School District

In planning and performing our audit of the basic financial statements of Murray City School District (the District) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated November 27, 2013, on the financial statements of the District. This letter accompanies our reports dated November 27, 2013, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State of Utah Legal Compliance Audit Guide*.

Certain Other Matters

Budgeting – Expenditures may not legally exceed budgeted appropriations at the fund level. Total expenditures in the *debt service fund* and the *non K-12 fund* exceeded budgeted amounts by \$755,278 and \$22,258 for the year ended June 30, 2013, respectively. We recommend budgets be adopted and amended as appropriate to avoid overspending.

Individual School Accounting – We visit several schools in the District each year. We focus on areas of financial accounting, equipment management, and membership accounting during our visits. Certain minor exceptions with established District policies and procedures were noted. We discussed these exceptions with school personnel at the completion of each visit. We have also reported our findings to District management. We encourage continued training of those involved in the accounting function at the schools.

Reconciliation of Account Balances – The District implemented a new accounting system during the current fiscal year. The implementation required the establishment of several account coding definitions that were different from what had been used in the previous accounting system. As payments were recorded during the year, the previously established account coding was used and the wrong accounts were offset as a result. This was not discovered and corrected until later when the balance sheet

accounts were being reconciled. We recommend that the District establish a process to ensure balance sheet accounts are reconciled frequently.

Management's Response – We appreciate your recommendations. We will review these items and make changes as necessary.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control and compliance, or result in other operating efficiencies.

We appreciated working with and the assistance and responsiveness of District personnel during the audit. We also note management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process. We are available to discuss these matters with you as needed.

This communication is intended solely for the information and use of the Board of Education and management of Murray City School District and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

Orem, Utah
November 27, 2013