

MURRAY CITY SCHOOL DISTRICT

Basic Financial Statements
With Supplementary and Other Information

Year Ended June 30, 2016

MURRAY CITY SCHOOL DISTRICT

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FINANCIAL SECTION



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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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, the schedules of the District's proportionate share of the net pension liability (asset) - Utah Retirement Systems, and the schedules of District contributions - Utah Retirement Systems, and the related notes to the required supplementary information 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 22, 2016 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 22, 2016

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, 2016.

Financial Highlights

- The District's total net position was \$60.0 million at the close of the most recent year, the largest portion of which is invested in capital assets.
- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 15.1% in 2016 to \$25.1 million as a result of the combination of an increase in taxable value of property and an increase in the overall tax rate.
- The District completed various construction projects during 2016 which had a total cost of \$42.9 million. The largest project completed was Hillcrest Jr. High School with a final cost of \$31.7 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 eight 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 five 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 41 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 pension and other postemployment benefits to its employees and retirees. Required supplementary information can be found on pages 42 through 45 of this report.

The combining and individual statements and schedules referred to earlier in connection with governmental funds can be found on pages 46 through 55 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 56 through 61 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 \$60.0 million at the close of the most recent fiscal year.

MURRAY CITY SCHOOL DISTRICT'S Net Position

(in millions of dollars)

June 30, 2016 and 2015

	Governmental activities		Total change
	2016	2015	2016-2015
Current and other assets	\$ 59.8	\$ 61.0	\$ (1.2)
Capital assets	99.0	95.8	3.2
Total assets	158.8	156.8	2.0
Deferred outflows of resources	9.0	3.2	5.8
Current and other liabilities	7.4	10.6	(3.2)
Long-term liabilities outstanding	75.0	72.4	2.6
Total liabilities	82.4	83.0	(0.6)
Deferred inflows of resources	25.4	22.7	2.7
Net position:			
Net investment in capital assets	48.9	48.1	0.8
Restricted	13.3	10.6	2.7
Unrestricted	(2.2)	(4.4)	2.2
Total net position	\$ 60.0	\$ 54.3	\$ 5.7

- The largest portion of the District's net position (\$48.9 million) 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 (\$13.3 million) 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 net position (a deficit of \$2.2 million) is unrestricted. This balance includes the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by the Utah Retirement Systems. The existence of an unrestricted net position deficit indicates the District's overall economic net position, but it does not necessarily reflect positively or negatively on the District's ability to meet its obligations as they come due.

The District's net position increased by \$5.7 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, 2016 are as follows:

MURRAY CITY SCHOOL DISTRICT'S Changes in Net Position

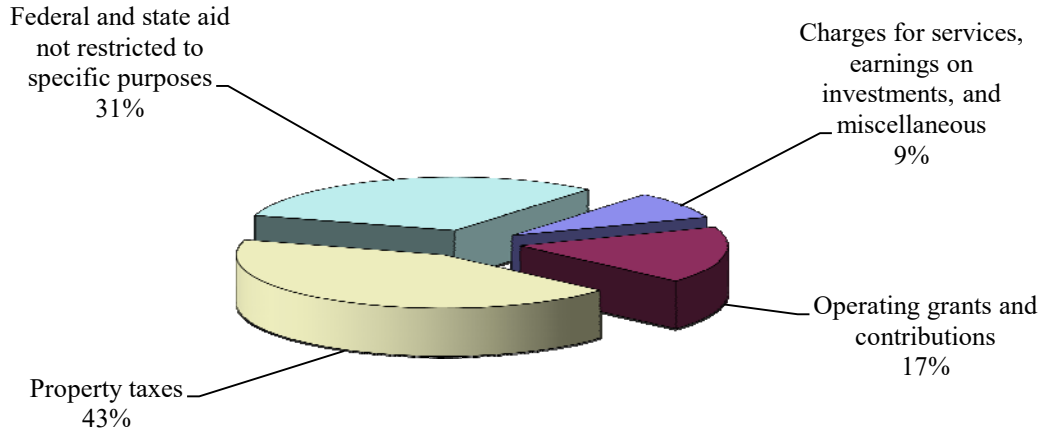
(in millions of dollars)

Years Ended June 30, 2016 and 2015

	Governmental activities		Total change
	2016	2015	2016-2015
Revenues:			
Program revenues:			
Charges for services	\$ 2.9	\$ 2.8	\$ 0.1
Operating grants and contributions	10.0	8.9	1.1
General revenues:			
Property taxes	25.1	21.8	3.3
Federal and state aid not restricted to specific purposes	18.4	18.7	(0.3)
Earnings on investments	0.3	0.2	0.1
Miscellaneous	1.6	1.5	0.1
Total revenues	58.3	53.9	4.4
Expenses:			
Instruction	32.2	30.6	1.6
Supporting services:			
Students	2.0	1.8	0.2
Instructional staff	1.2	1.3	(0.1)
General administration	1.4	0.9	0.5
School administration	2.6	2.5	0.1
Central	1.7	1.5	0.2
Operation and maintenance of facilities	4.1	4.1	-
Student transportation	1.0	1.0	-
School lunch services	2.3	2.0	0.3
Community services	2.6	2.4	0.2
Interest on long-term liabilities	1.5	1.5	-
Total expenses	52.6	49.6	3.0
Change in net position	5.7	4.3	1.4
Net position - beginning	54.3	50.0	4.3
Net position - ending	\$ 60.0	\$ 54.3	\$ 5.7

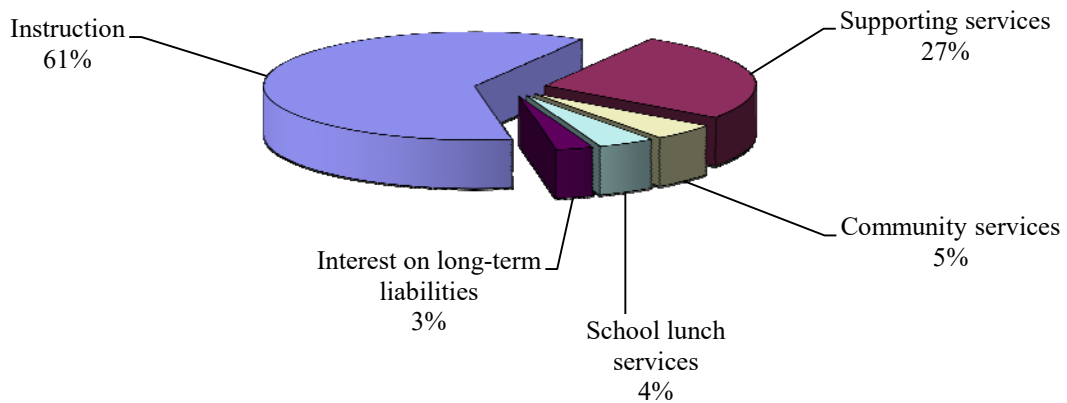
- State aid remained constant compared to the prior year. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees 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 4.0% during the year ended June 30, 2016 (\$3,092 during 2016 as compared to \$2,972 in 2015).
- Property tax revenue increased by \$3.3 million or by 15.1%. This increase was a result of the combination of an increase in taxable value of property and an increase in the overall tax rate.

**Murray City School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2016**



- Instruction represents the largest dollar portion of expenses of \$32.2 million primarily for teacher salaries and related benefits.

**Murray City School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2016**



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 \$28.2 million, \$0.4 million less than the previous year primarily due to a decrease in the fund balance of the *capital projects fund*. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$41.0 million, an increase of 5.9% during the current fiscal year. This compares to a 4.5% decrease in 2015. Instruction represents 65.6% of *general fund* expenditures.
- *General fund* salaries totaled \$25.2 million while the associated employee benefits of retirement, social security, and insurance added \$11.7 million to arrive at 90.1% of total *general fund* expenditures. This compares to 91.3% in 2015.

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 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, 2016, the District's combined governmental fund balance is \$28.2 million (\$0.5 million in nonspendable, \$13.8 million in restricted, \$9.4 million in committed, and \$4.4 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 0.2% in total *general fund* revenues to account for anticipated increases in revenue from other local sources. Final budgeted expenditures were more than the original budgetary estimates by \$0.3 million or 0.7%. The increase primarily reflects higher general administration expenditures than anticipated.

Actual expenditures were \$2.4 million less than final budgeted amounts. The most significant positive variances were \$0.9 million in instruction and \$0.7 million in operation and maintenance of facilities. Conversely, revenues were \$0.4 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, 2016 amounts to \$99.0 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 \$3.2 million or 3.3% primarily due to construction projects. The District completed various construction projects during 2016 which had a total cost of \$42.9 million. The largest project completed was Hillcrest Jr. High School with a final cost of \$31.7 million.

Capital assets at June 30, 2016 and 2015 are outlined below:

MURRAY CITY SCHOOL DISTRICT'S Capital Assets
(net of accumulated depreciation, in millions of dollars)
June 30, 2016 and 2015

	Governmental activities		Total
	2016	2015	change 2016-2015
Land	\$ 17.7	\$ 17.7	\$ -
Construction in progress	1.2	38.4	(37.2)
Buildings	78.5	38.4	40.1
Equipment	1.6	1.3	0.3
Total capital assets	<u>\$ 99.0</u>	<u>\$ 95.8</u>	<u>\$ 3.2</u>

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Debt administration – At the end of the current year, the District had total bonded debt outstanding of \$50.5 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 decreased by \$2.2 million. This decrease was a result of principal payments on bonds outstanding.

MURRAY CITY SCHOOL DISTRICT'S Outstanding Debt
(net of accumulated amortization, in millions of dollars)
June 30, 2016 and 2015

	Governmental activities		Total
	2016	2015	change 2016-2015
Net general obligation bonds	\$ 43.5	\$ 45.7	\$ (2.2)
Lease revenue bonds payable	7.0	7.0	-
Total outstanding debt	<u>\$ 50.5</u>	<u>\$ 52.7</u>	<u>\$ (2.2)</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, 2016 is \$179.9 million. Net general obligation debt at June 30, 2016 is \$43.5 million, resulting in a legal debt margin of \$136.4 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 8 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, 5102 South Commerce Drive, Murray, UT 84107.

Basic Financial Statements

MURRAY CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Cash and investments	\$ 33,399,291
Receivables:	
Property taxes	23,396,278
Other local	35,304
State of Utah	185,324
Federal government	1,983,737
Inventories	503,966
Net OPEB asset	296,416
Net pension asset	830
Capital assets:	
Land and construction in progress	18,939,099
Buildings and equipment, net of accumulated depreciation	80,061,225
Total assets	158,801,470
Deferred outflows of resources:	
Deferred change on refunding	444,506
Related to pensions	8,517,914
Total deferred outflows of resources	8,962,420
Liabilities:	
Accounts payable	375,991
Accrued interest	619,798
Accrued salaries and benefits	4,671,164
Unearned revenue:	
Other local	106,203
State of Utah	1,570,175
Federal government	40,538
Noncurrent liabilities:	
Due and payable within one year	2,804,541
Due and payable after one year	72,257,813
Total liabilities	82,446,223
Deferred inflows of resources:	
Property taxes levied for future year	22,965,176
Related to pensions	2,386,396
Total deferred inflows of resources	25,351,572
Net position:	
Net investment in capital assets	48,919,895
Restricted for:	
Debt service	2,189,891
Capital projects	10,516,767
School lunch services	571,045
Unrestricted	(2,231,503)
Total net position	\$ 59,966,095

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

MURRAY CITY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2016

<u>Activities and Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 32,176,391	\$ 1,755,464	\$ 7,003,793	\$ (23,417,134)
Supporting services:				
Students	1,990,083	-	419,119	(1,570,964)
Instructional staff	1,200,999	-	237,677	(963,322)
General administration	1,411,449	-	195,856	(1,215,593)
School administration	2,651,626	-	1,236	(2,650,390)
Central	1,707,696	-	371	(1,707,325)
Operation and maintenance of facilities	4,130,799	42,195	22,810	(4,065,794)
Student transportation	1,045,555	25,808	381,227	(638,520)
School lunch services	2,286,043	602,137	1,642,585	(41,321)
Community services	2,555,574	449,964	94,620	(2,010,990)
Interest on long-term liabilities	1,469,046	-	-	(1,469,046)
Total school district	<u>\$ 52,625,261</u>	<u>\$ 2,875,568</u>	<u>\$ 9,999,294</u>	<u>(39,750,399)</u>
General revenues:				
Property taxes levied for:				
Basic				6,284,560
Voted local				6,143,375
Board local				4,521,553
Debt service				4,383,988
Capital local				2,146,742
Tax increment				<u>1,609,395</u>
Total property taxes				25,089,613
Federal and state aid not restricted to specific purposes				18,403,773
Earnings on investments				249,614
Miscellaneous				<u>1,625,617</u>
Total general revenues				<u>45,368,617</u>
Change in net position				5,618,218
Net position - beginning				<u>54,347,877</u>
Net position - ending				<u>\$ 59,966,095</u>

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

MURRAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Assets:					
Cash and investments	\$ 16,039,637	\$ 2,731,183	\$ 10,477,542	\$ 2,732,587	\$ 31,980,949
Receivables:					
Property taxes	16,676,650	4,189,688	807,242	1,722,698	23,396,278
Other local	17,090	-	-	18,214	35,304
State of Utah	35,943	-	-	149,381	185,324
Federal government	1,920,859	-	-	62,878	1,983,737
Inventories	503,966	-	-	-	503,966
Total assets	<u>\$ 35,194,145</u>	<u>\$ 6,920,871</u>	<u>\$ 11,284,784</u>	<u>\$ 4,685,758</u>	<u>\$ 58,085,558</u>
Liabilities:					
Accounts payable	\$ 56,229	\$ -	\$ -	\$ 740	\$ 56,969
Accrued salaries and benefits	4,638,751	-	-	32,413	4,671,164
Unearned revenue:					
Other local	30,188	-	-	76,015	106,203
State of Utah	1,559,328	-	-	10,847	1,570,175
Federal government	2,540	-	-	37,998	40,538
Total liabilities	<u>6,287,036</u>	<u>-</u>	<u>-</u>	<u>158,013</u>	<u>6,445,049</u>
Deferred inflows of resources:					
Unavailable property tax revenue	338,995	85,135	15,528	-	439,658
Property taxes levied for future year	16,363,283	4,111,182	768,013	1,722,698	22,965,176
Total deferred inflows of resources	<u>16,702,278</u>	<u>4,196,317</u>	<u>783,541</u>	<u>1,722,698</u>	<u>23,404,834</u>
Fund balances:					
Nonspendable:					
Inventories	503,966	-	-	-	503,966
Restricted for:					
Debt service	-	2,724,554	-	-	2,724,554
Capital projects	-	-	10,501,243	-	10,501,243
School lunch services	-	-	-	571,045	571,045
Committed to:					
Economic stabilization	2,000,000	-	-	-	2,000,000
Employee and retiree benefits	5,238,358	-	-	-	5,238,358
Community recreation	-	-	-	162,486	162,486
Foundation programs	-	-	-	1,028,576	1,028,576
Student activities	-	-	-	1,042,940	1,042,940
Unassigned	4,462,507	-	-	-	4,462,507
Total fund balances	<u>12,204,831</u>	<u>2,724,554</u>	<u>10,501,243</u>	<u>2,805,047</u>	<u>28,235,675</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,194,145</u>	<u>\$ 6,920,871</u>	<u>\$ 11,284,784</u>	<u>\$ 4,685,758</u>	<u>\$ 58,085,558</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, 2016

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

Total fund balances for governmental funds \$ 28,235,675

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	\$ 18,939,099	
Buildings, net of \$22,036,118 accumulated depreciation	78,470,087	
Equipment, net of \$3,313,737 accumulated depreciation	1,591,138	99,000,324

The net pension asset is not an available resource and therefore is not reported in the governmental funds. 830

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. 439,658

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

General obligation bonds payable	(40,640,000)	
Unamortized bond issuance premiums	(2,884,939)	
Unamortized deferred amounts on refunding	444,506	
Lease revenue bonds payable	(7,000,000)	
Accrued interest	(619,798)	
Compensated absences payable	(148,533)	
Net pension liability	(23,087,363)	
Deferred outflows of resources related to pensions	8,517,914	
Deferred inflows of resources related to pensions	(2,386,396)	
Early retirement benefits payable	(1,301,519)	(69,106,128)

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: 1,395,736

Total net position of governmental activities \$ 59,966,095

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, 2016

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Local sources:					
Property taxes	\$ 15,137,038	\$ 3,923,029	\$ 4,310,926	\$ 1,609,395	\$ 24,980,388
Earnings on investments	69,374	15,494	140,756	14,086	239,710
School lunch sales	-	-	-	583,840	583,840
Other local sources	1,705,920	-	13,154	2,198,271	3,917,345
State sources	23,248,802	-	-	707,277	23,956,079
Federal sources	2,178,252	-	923,167	1,345,569	4,446,988
Total revenues	<u>42,339,386</u>	<u>3,938,523</u>	<u>5,388,003</u>	<u>6,458,438</u>	<u>58,124,350</u>
Expenditures:					
Current:					
Instruction	26,908,029	-	503,943	1,991,186	29,403,158
Supporting services:					
Students	2,017,310	-	2,542	-	2,019,852
Instructional staff	1,212,529	-	2,557	-	1,215,086
General administration	1,413,897	-	-	-	1,413,897
School administration	2,636,419	-	-	71	2,636,490
Central	1,532,158	-	166,701	-	1,698,859
Operation and maintenance of facilities	3,500,308	-	473,404	24,731	3,998,443
Student transportation	786,629	-	144,722	-	931,351
School lunch services	-	-	-	2,212,501	2,212,501
Community services	541,011	-	-	2,023,363	2,564,374
Capital outlay	470,535	-	6,335,301	-	6,805,836
Debt service:					
Principal retirement	-	2,025,000	-	-	2,025,000
Interest and other charges	-	1,498,135	147,549	-	1,645,684
Total expenditures	<u>41,018,825</u>	<u>3,523,135</u>	<u>7,776,719</u>	<u>6,251,852</u>	<u>58,570,531</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	1,320,561	415,388	(2,388,716)	206,586	(446,181)
Fund balances - beginning	<u>10,884,270</u>	<u>2,309,166</u>	<u>12,889,959</u>	<u>2,598,461</u>	<u>28,681,856</u>
Fund balances - ending	<u>\$ 12,204,831</u>	<u>\$ 2,724,554</u>	<u>\$ 10,501,243</u>	<u>\$ 2,805,047</u>	<u>\$ 28,235,675</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, 2016

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 \$ (446,181)

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	\$ 6,265,193	
Loss on disposal of capital assets	(1,414,485)	
Depreciation expense	<u>(1,655,768)</u>	3,194,940

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.

Repayment of bond principal	2,025,000	
Interest expense - general obligation bonds	40,937	
Amortization of bond premium	173,097	
Amortization of deferred amounts on refunding	<u>(37,396)</u>	2,201,638

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. 109,225

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	(17,223)	
Early retirement benefits	(301,227)	
Pension expense	<u>520,743</u>	202,293

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. 356,303

Change in net position of governmental activities \$ 5,618,218

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
Property taxes	\$ 14,697,917	\$ 14,555,579	\$ 15,137,038	\$ 581,459
Earnings on investments	45,000	53,089	69,374	16,285
Other local sources	1,370,156	1,651,868	1,705,920	54,052
State sources	24,318,381	24,258,914	23,248,802	(1,010,112)
Federal sources	2,201,765	2,194,300	2,178,252	(16,048)
Total revenues	<u>42,633,219</u>	<u>42,713,750</u>	<u>42,339,386</u>	<u>(374,364)</u>
Expenditures:				
Current:				
Instruction	28,296,280	27,791,243	26,908,029	883,214
Supporting services:				
Student	2,179,711	2,324,481	2,017,310	307,171
Instructional staff	1,792,910	1,560,943	1,212,529	348,414
General administration	866,343	1,462,464	1,413,897	48,567
School administration	2,750,752	2,747,012	2,636,419	110,593
Central	1,415,815	1,479,438	1,532,158	(52,720)
Operation and maintenance of facilities	4,360,252	4,231,494	3,500,308	731,186
Student transportation	863,804	865,858	786,629	79,229
Community services	567,159	565,581	541,011	24,570
Capital outlay	626	368,605	470,535	(101,930)
Total expenditures	<u>43,093,652</u>	<u>43,397,119</u>	<u>41,018,825</u>	<u>2,378,294</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(460,433)	(683,369)	1,320,561	2,003,930
Fund balances - beginning	<u>10,884,270</u>	<u>10,884,270</u>	<u>10,884,270</u>	<u>-</u>
Fund balances - ending	<u>\$ 10,423,837</u>	<u>\$ 10,200,901</u>	<u>\$ 12,204,831</u>	<u>\$ 2,003,930</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, 2016

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 1,418,342
Net OPEB asset	<u>296,416</u>
Total assets	<u>1,714,758</u>
Liabilities:	
District retirement benefit	<u>319,022</u>
Net position, unrestricted	<u><u>\$ 1,395,736</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, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Revenues:	
Charges for services	<u>\$ 787,570</u>
Expenses:	
Supporting services:	
Health care benefits	98,246
Benefit payouts	<u>342,925</u>
Total expenses	<u>441,171</u>
Operating income	346,399
Nonoperating revenue:	
Earnings on investments	<u>9,904</u>
Change in net position	356,303
Net position - beginning	<u>1,039,433</u>
Net position - ending	<u><u>\$ 1,395,736</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, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Insurance premiums received from users	\$ 787,570
Cash paid to insurance provider	(98,246)
Cash paid to retirees	<u>(337,560)</u>
Net cash provided by operating activities	<u>351,764</u>
Cash flows from investing activities:	
Interest received on investments	<u>9,904</u>
Change in cash and cash equivalents	361,668
Cash and cash equivalents - beginning	<u>1,056,674</u>
Cash and cash equivalents - ending	<u><u>\$ 1,418,342</u></u>
Displayed on statement of fund net position as cash and investments	<u><u>\$ 1,418,342</u></u>
A reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 346,399
Decrease in district retirement benefit	42,708
Increase in net OPEB asset	<u>(37,343)</u>
Net cash provided by operating activities	<u><u>\$ 351,764</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 activities of the District and its component units, the Murray Foundation (the Foundation) and the Municipal Building Authority of the Murray City School District (the Building Authority), for which the District is financially accountable. The District is not a component unit of any other primary government. Although legally separate entities, blended component units are, in substance, part of the District's operations.

- The Foundation 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 Foundation is presented as a special revenue fund of the District.
- The Building Authority has the same board as the District and provides financing services exclusively to the District. The District has committed resources to service debt obligations of the Building Authority. The Building Authority is reported with the governmental funds of the District.

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.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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 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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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 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, 2016, 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.

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:

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

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by the URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

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 – In addition to assets, 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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following sources that qualify for reporting in this category; these items are reported in the statement of net position:

- 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.
- Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments, b) changes in proportion and differences between contributions and proportionate share of contributions, and c) District contributions subsequent to the measurement date of December 31, 2015.

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 following items arise only under the modified accrual basis of accounting and are reported in the governmental funds balance sheet; these items are deferred and recognized as an inflow of resources (revenue) until that time:

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.

The following items are reported in both the statement of net position and the governmental funds balance sheet:

- Property taxes levied for future year – property taxes levied on January 1, 2016 for the following school year.

The following items are reported in the statement of net position:

- Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience, b) changes of assumptions in the measurement of the net pension liability/asset, and c) changes in proportion and differences between contributions and proportionate share of contributions.

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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 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.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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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 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 53 days or less. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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A reconciliation of cash and investments at June 30, 2016, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 4,337,893
Carrying amount of investments	<u>29,061,398</u>
Total deposits and investments	<u><u>\$ 33,399,291</u></u>
Cash and investments - governmental funds, balance sheet	\$ 31,980,949
Cash and investments - internal service funds, statement of fund net position	<u>1,418,342</u>
Total cash and investments	<u><u>\$ 33,399,291</u></u>

Deposits – At June 30, 2016, the District and Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Murray City School District	\$ 4,096,125	\$ 5,299,946	\$ 250,000
Murray Education Foundation	<u>241,768</u>	<u>251,143</u>	<u>220,912</u>
	<u><u>\$ 4,337,893</u></u>	<u><u>\$ 5,551,089</u></u>	<u><u>\$ 470,912</u></u>

- 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, 2016, the District’s bank deposits were uncollateralized nor is it required by law.

Investments – At June 30, 2016, 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)	\$ 24,438,429	\$ 24,438,429	\$ -	\$ -	\$ -
Corporate Bonds	3,837,305	-	-	-	3,837,305
Murray Education Foundation:					
Utah Public Treasurers' Investment Fund (PTIF)	267,973	267,973	-	-	-
U.S. Treasury Securities	17,691	-	-	-	17,691
Corporate Bonds	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total investments	<u><u>\$ 29,061,398</u></u>	<u><u>\$ 24,706,402</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,354,996</u></u>

- 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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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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, 2016, 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 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. FAIR VALUE MEASUREMENT

In 2016, the District adopted Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The new standard provides guidance for determining a fair value measurement for financial reporting purposes. The standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District’s financial statements are not affected by this new standard.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- Corporate bonds of \$3,837,305 are valued using a matrix pricing model (Level 2 inputs).

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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- Public Treasurers' Investment Fund position of \$24,438,429, the unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held (Level 2 inputs).

The Foundation has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities of \$17,691 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$500,000 are valued using a matrix pricing model (Level 2 inputs).
- Public Treasurers' Investment Fund position of \$267,973, the unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held (Level 2 inputs).

4. **PROPERTY TAXES**

District property tax revenue – 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, 2016, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2016 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.

Incremental taxes – In addition to property taxes the District levies for its own purposes, the District levies property taxes for redevelopment agencies (located within the boundaries of the District) in accordance with the Community Development and Renewal Agencies Act (Utah Code 17C-1). These taxes are forwarded directly by the county to the redevelopment agencies as these taxes are collected by the county.

Property tax revenue (or incremental taxes) from increased assessed values within project areas are earmarked to finance urban renewal, economic development, and community development projects managed by the redevelopment agencies for the duration of the projects.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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During the year ended June 30, 2016, incremental taxes levied by the District for the redevelopment agencies totaling \$1,609,395 were recorded as revenue with an equivalent amount of expenditure for community services in the other governmental funds (in the *incremental tax fund*).

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 17,741,806	\$ -	\$ -	\$ 17,741,806
Construction in progress	<u>38,395,259</u>	<u>5,681,935</u>	<u>(42,879,901)</u>	<u>1,197,293</u>
Total capital assets, not being depreciated	56,137,065	5,681,935	(42,879,901)	18,939,099
Capital assets, being depreciated:				
Buildings	62,974,243	42,879,901	(5,347,939)	100,506,205
Equipment	<u>4,355,884</u>	<u>583,258</u>	<u>(34,267)</u>	<u>4,904,875</u>
Total capital assets, being depreciated	67,330,127	43,463,159	(5,382,206)	105,411,080
Accumulated depreciation for:				
Buildings	(24,606,411)	(1,365,851)	3,936,144	(22,036,118)
Equipment	<u>(3,055,397)</u>	<u>(289,917)</u>	<u>31,577</u>	<u>(3,313,737)</u>
Total accumulated depreciation	<u>(27,661,808)</u>	<u>(1,655,768)</u>	<u>3,967,721</u>	<u>(25,349,855)</u>
Total capital assets being depreciated, net	<u>39,668,319</u>	<u>41,807,391</u>	<u>(1,414,485)</u>	<u>80,061,225</u>
Governmental activities capital assets, net	<u><u>\$ 95,805,384</u></u>	<u><u>\$ 47,489,326</u></u>	<u><u>\$(44,294,386)</u></u>	<u><u>\$ 99,000,324</u></u>

For the year ended June 30, 2016, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 1,199,865
Supporting services:	
District administration	12,216
School administration	54,205
Central	27,458
Operation and maintenance of facilities	156,305
Student transportation	120,123
School lunch services	<u>85,596</u>
Total depreciation expense, governmental activities	<u><u>\$ 1,655,768</u></u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District is obligated at June 30, 2016 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Horizon Seismic Upgrades	\$ 730,885	\$ 445,035	\$ 285,850
Viewmont Seismic Upgrades	1,252,026	752,258	499,768
Total	<u>\$ 1,982,911</u>	<u>\$ 1,197,293</u>	<u>\$ 785,618</u>

Construction commitments will be paid by the *Capital Projects Fund*.

6. STATE RETIREMENT PLANS

Description of plans – Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)
- Tier 2 Hybrid Public Employees Contributory Retirement System (Tier 2 Contributory System)

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plan)
- 457 Plan and other individual plans

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 systems.

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits are determined from 1.25% to 2.00% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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first four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions – As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

For the year ended June 30, 2016, District required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates			District Rates for 401(k) Plan
	District Contribution	Employee Paid	Paid by District for Employee	
Tier 1 Noncontributory System	22.19%	-	-	1.50%
Tier 1 Contributory System	17.70%	6.00%	-	-
Tier 2 Contributory System *	18.24%	-	-	1.78%
Tier 2 Defined Contribution Plan *	10.02%	-	-	10.00%

* The District is also required to contribute 9.94% of covered employee payroll of the Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans. The District is also required to contribute 0.08% of covered employee payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended June 30, 2016, District and employee contributions to the plans were as follows:

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 4,311,968	\$ -
Tier 1 Contributory System	8,665	490
Tier 2 Contributory System *	545,882	-
401(k) Plan	73,450	-

* Tier 2 plan contributions include required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2016, the District reported a net pension asset of \$830 and a net pension liability of \$23,087,363 for the following plans:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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	Proportionate Share	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	0.7318957%	\$ -	\$ 22,990,940
Tier 1 Contributory System	0.1538696%	-	96,423
Tier 2 Contributory System	0.3803034%	830	-
Total		<u>\$ 830</u>	<u>\$ 23,087,363</u>

The net pension asset and liability were measured as of December 31, 2015, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension asset and liability is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year.

For the year ended June 30, 2016, the District recognized pension expense of \$4,411,343 for the defined benefit pension plans and pension expense of \$545,882 for the defined contribution plans. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,804,143
Changes of assumptions	-	456,708
Net difference between projected and actual earnings on pension plan investments	6,030,748	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,359	125,545
District contributions subsequent to the measurement date	2,472,807	-
Total	<u>\$ 8,517,914</u>	<u>\$ 2,386,396</u>

The \$2,472,807 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 773,301
2018	773,301
2019	835,232
2020	1,289,330
2021	(2,293)
Thereafter	(10,160)

Actuarial assumptions – The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	3.50% to 10.50%, average, including inflation	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013.

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	<u>100%</u>		5.23%
Inflation			<u>2.75%</u>
Expected arithmetic nominal return			<u>7.98%</u>

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75% and a real return of 4.75% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was not changed from the prior measurement date.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 41,612,733	\$ 22,990,940	\$ 7,376,542
Tier 1 Contributory System	218,014	96,423	(6,722)
Tier 2 Contributory System	152,244	(830)	(116,846)
Total	<u>\$ 41,982,991</u>	<u>\$ 23,086,533</u>	<u>\$ 7,252,974</u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

Payables to the pension plans – At June 30, 2016, the District reported payables of \$1,167,806 for contributions to defined benefit pension plans and defined contribution plans.

7. 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.

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.

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds payable	\$ 42,665,000	\$ -	\$ (2,025,000)	\$ 40,640,000	\$ 2,070,000
Bond premium	3,058,036	-	(173,097)	2,884,939	-
Total bonds payable, net	45,723,036	-	(2,198,097)	43,524,939	2,070,000
Lease revenue bonds payable	7,000,000	-	-	7,000,000	-
Compensated absences payable	131,310	157,682	(140,459)	148,533	148,533
Early retirement benefits payable	1,000,292	719,312	(418,085)	1,301,519	586,008
Net Pension Liability	18,511,878	9,507,571	(4,932,086)	23,087,363	-
Total governmental activity long-term liabilities	<u>\$ 72,366,516</u>	<u>\$ 10,384,565</u>	<u>\$ (7,688,727)</u>	<u>\$ 75,062,354</u>	<u>\$ 2,804,541</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. The District will make annual payments on the lease revenue

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

bonds to the Building Authority from the *capital projects fund*. Compensated absences and early retirement benefits will be paid primarily from the *general fund*.

General obligation bonds – In November 2012, the District issued \$41,025,000 of general obligation refunding bonds. The bonds were issued with interest rates from 2.0% to 5.0% and will mature on February 1, 2033.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,070,000	\$ 1,443,250	\$ 3,513,250
2018	2,155,000	1,360,450	3,515,450
2019	2,240,000	1,274,250	3,514,250
2020	2,350,000	1,162,250	3,512,250
2021	2,470,000	1,044,750	3,514,750
2022-2026	10,950,000	3,808,750	14,758,750
2027-2031	12,750,000	2,018,250	14,768,250
2032-2033	5,655,000	255,750	5,910,750
Total	<u>\$ 40,640,000</u>	<u>\$ 12,367,700</u>	<u>\$ 53,007,700</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, 2015 is about \$179.9 million. Net general obligation debt at June 30, 2015 is \$43.5 million, resulting in a legal debt margin of about \$136.4 million.

Lease revenue bonds – In December 2014, the Building Authority of Murray City School District issued \$7,000,000 of lease revenue bonds. The bonds were issued at an effective interest rate of 2.1% and will mature on May 15, 2030.

The annual requirements to amortize all lease revenue bonds outstanding as of June 30, 2016, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 436,000	\$ 147,550	\$ 583,550
2018	441,000	142,187	583,187
2019	448,000	135,218	583,218
2020	456,000	126,797	582,797
2021	466,000	117,039	583,039
2022-2026	2,527,000	388,537	2,915,537
2027-2030	2,226,000	105,599	2,331,599
Total	<u>\$ 7,000,000</u>	<u>\$ 1,162,927</u>	<u>\$ 8,162,927</u>

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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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 \$418,085 in direct payments to retirees under this option for the year ended June 30, 2016.

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 9). The present value of amounts payable for benefits in future periods as of June 30, 2016 is estimated at \$319,021; 17 employees are eligible to receive these benefits. Amounts paid annually have approximated the average annual cost of the benefit. Amounts payable at June 30, 2016 totaled \$319,021. The District retirement benefit is serviced by the *lifetime insurance internal service fund*.

9. OTHER POSTEMPLOYMENT BENEFITS

Plan description – The District provides a lifetime 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 102 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 any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2016, the District’s annual OPEB cost (expense) was \$332,924.

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 asset:

Annual required contribution	\$ 326,520
Interest on net OPEB obligation	(10,363)
Adjustment to annual required contribution	<u>16,767</u>
Annual OPEB cost (expense)	332,924
Contributions made	<u>(370,267)</u>
Increase in net OPEB asset	(37,343)
Net OPEB asset - beginning	<u>(259,073)</u>
Net OPEB asset - ending	<u><u>\$ (296,416)</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
2016	\$ 332,924	\$ 370,267	111.2%	\$ (296,416)
2015	337,584	424,566	125.8%	(259,073)
2014	314,751	401,832	127.7%	(172,091)

Funded status and funding progress – The funded status of the plan as of June 30, 2016 is as follows:

Actuarial accrued liability (AAL)	\$ 4,851,061
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,851,061</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, 2014, 2012, and 2010, 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 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, 2014 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 6.5% initially, reduced by decrements to an ultimate rate of 4.6% after seventy-one years. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the District has not advanced funded its obligation. The UAAL is being amortized as a level dollar amount over an open twenty-five year period.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

10. 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.

11. 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.

Required Supplementary Information

MURRAY CITY SCHOOL DISTRICT
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, 2014	\$ -	\$ 5,086,619	\$ 5,086,619	0.0%	\$ -	0.0%
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%

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.

MURRAY SCHOOL DISTRICT
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) -
Utah Retirement Systems
Last Two Plan (Calendar) Years

	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:		
District's proportion of the net pension liability (asset)	0.7318957%	0.7362124%
District's proportionate share of the net pension liability (asset)	\$ 22,990,940	\$ 18,497,548
District's covered-employee payroll	\$ 20,483,417	\$ 21,075,854
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.2%	87.8%
Plan fiduciary net position as a percentage of the total pension liability	84.5%	87.2%
Tier 1 Contributory System:		
District's proportion of the net pension liability (asset)	0.1538696%	0.1306940%
District's proportionate share of the net pension liability (asset)	\$ 96,423	\$ 14,330
District's covered-employee payroll	\$ 48,743	\$ 47,918
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	92.4%	98.7%
Tier 2 Contributory System:		
District's proportion of the net pension liability (asset)	0.3803034%	0.3684997%
District's proportionate share of the net pension liability (asset)	\$ (830)	\$ (11,167)
District's covered-employee payroll	\$ 2,456,032	\$ 1,804,057
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%

These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

MURRAY SCHOOL DISTRICT
Schedules of District Contributions -
Utah Retirement Systems
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:		
Contractually required contribution	\$ 4,311,968	\$ 4,337,622
Contributions in relation to the contractually required contribution	<u>(4,311,968)</u>	<u>(4,337,622)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,167,829	\$ 20,544,353
Contributions as a percentage of covered-employee payroll	21.4%	21.1%
Tier 1 Contributory System:		
Contractually required contribution	\$ 8,665	\$ 8,363
Contributions in relation to the contractually required contribution	<u>(8,665)</u>	<u>(8,363)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 48,954	\$ 48,032
Contributions as a percentage of covered-employee payroll	17.7%	17.4%
Tier 2 Contributory System:		
Contractually required contribution	\$ 545,882	\$ 389,494
Contributions in relation to the contractually required contribution	<u>(545,882)</u>	<u>(389,494)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,991,818	\$ 2,151,581
Contributions as a percentage of covered-employee payroll	18.2%	18.1%

These schedules only present information for the District's 2015 and subsequent reporting periods; prior-year information is not available. Contributions as a percentage of covered-employee payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Tier 2 plan contributions include required contributions to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

MURRAY CITY SCHOOL DISTRICT
Notes to Required Supplementary Information

Changes in assumptions-Utah Retirement Systems – Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The rate of salary increases assumption for most groups was modified.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- The post retirement mortality assumption for female educators showed an improvement.
- Minor adjustments to the preretirement mortality assumption were made.
- Certain demographic assumptions were changed that generally resulted in a) an increase in members anticipated to terminate employment prior to retirement, b) a slight decrease in members expected to become disabled, and 3) a slight increase in the expected age of retirement.

**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, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local sources:				
Property taxes	\$ 14,555,579	\$ 15,137,038	\$ 581,459	\$ 13,085,134
Earnings on investments	53,089	69,374	16,285	46,091
Other local	1,651,868	1,705,920	54,052	1,103,353
State sources	24,258,914	23,248,802	(1,010,112)	23,464,081
Federal sources	2,194,300	2,178,252	(16,048)	2,036,473
Total revenues	<u>42,713,750</u>	<u>42,339,386</u>	<u>(374,364)</u>	<u>39,735,132</u>
Expenditures:				
Current:				
Salaries	26,464,501	25,201,092	1,263,409	24,380,340
Employee benefits	11,257,750	11,743,822	(486,072)	10,993,157
Purchased professional and technical services	536,741	466,203	70,538	441,685
Purchased property services	643,923	535,857	108,066	486,196
Other purchased services	403,016	338,478	64,538	302,520
Supplies	3,454,343	2,211,905	1,242,438	2,042,858
Property	545,269	486,900	58,369	63,591
Other objects	91,576	34,568	57,008	28,443
Total expenditures	<u>43,397,119</u>	<u>41,018,825</u>	<u>2,378,294</u>	<u>38,738,790</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(683,369)	1,320,561	2,003,930	996,342
Fund balances - beginning	<u>10,884,270</u>	<u>10,884,270</u>	<u>-</u>	<u>9,887,928</u>
Fund balances - ending	<u>\$ 10,200,901</u>	<u>\$ 12,204,831</u>	<u>\$ 2,003,930</u>	<u>\$ 10,884,270</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Property taxes	\$ 3,524,625	\$ 3,923,029	\$ 398,404	\$ 3,884,020
Earnings on investments	10,000	15,494	5,494	10,242
Total revenues	<u>3,534,625</u>	<u>3,938,523</u>	<u>403,898</u>	<u>3,894,262</u>
Expenditures:				
Principal retirement	2,073,125	2,025,000	48,125	1,925,000
Interest and other charges	<u>1,461,500</u>	<u>1,498,135</u>	<u>(36,635)</u>	<u>1,592,805</u>
Total expenditures	<u>3,534,625</u>	<u>3,523,135</u>	<u>11,490</u>	<u>3,517,805</u>
Excess of revenues over expenditures / net change in fund balances	-	415,388	415,388	376,457
Fund balances - beginning	<u>2,309,166</u>	<u>2,309,166</u>	-	<u>1,932,709</u>
Fund balances - ending	<u><u>\$ 2,309,166</u></u>	<u><u>\$ 2,724,554</u></u>	<u><u>\$ 415,388</u></u>	<u><u>\$ 2,309,166</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 3,062,670	\$ 4,310,926	\$ 1,248,256	\$ 3,327,800
Earnings on investments	100,900	140,756	39,856	134,565
Other local	13,154	13,154	-	7,797
Federal sources	1,120,000	923,167	(196,833)	174,359
Total revenues	<u>4,296,724</u>	<u>5,388,003</u>	<u>1,091,279</u>	<u>3,644,521</u>
Expenditures:				
Current:				
Purchased professional and technical services	4,301,000	3,862,659	438,341	18,451,694
Purchased property services	2,377,321	2,198,806	178,515	2,309,751
Supplies	510,514	358,037	152,477	389,677
Property	2,652,748	1,209,668	1,443,080	1,960,069
Debt service:				
Interest and other charges	-	147,549	(147,549)	65,988
Bond issuance costs	-	-	-	94,149
Total expenditures	<u>9,841,583</u>	<u>7,776,719</u>	<u>2,064,864</u>	<u>23,271,328</u>
Deficiency of revenues under expenditures	(5,544,859)	(2,388,716)	3,156,143	(19,626,807)
Other financing sources (uses):				
Proceeds from lease revenue bonds	-	-	-	7,000,000
Net change in fund balances	(5,544,859)	(2,388,716)	3,156,143	(12,626,807)
Fund balances - beginning	<u>12,889,959</u>	<u>12,889,959</u>	<u>-</u>	<u>25,516,766</u>
Fund balances - ending	<u><u>\$ 7,345,100</u></u>	<u><u>\$ 10,501,243</u></u>	<u><u>\$ 3,156,143</u></u>	<u><u>\$ 12,889,959</u></u>

MURRAY CITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue					Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	Incremental Taxes	
Assets:						
Cash and investments	\$ 190,172	\$ 470,859	\$ 1,028,576	\$ 1,042,980	\$ -	\$ 2,732,587
Receivables:						
Property taxes	-	-	-	-	1,722,698	1,722,698
Other local	-	18,214	-	-	-	18,214
State of Utah	992	148,389	-	-	-	149,381
Federal government	44,300	18,578	-	-	-	62,878
Total assets	<u>\$ 235,464</u>	<u>\$ 656,040</u>	<u>\$ 1,028,576</u>	<u>\$ 1,042,980</u>	<u>\$ 1,722,698</u>	<u>\$ 4,685,758</u>
Liabilities:						
Accounts payable	\$ -	\$ 700	\$ -	\$ 40	\$ -	\$ 740
Accrued salaries and benefits	24,133	8,280	-	-	-	32,413
Unearned revenue:						
Other local	-	76,015	-	-	-	76,015
State of Utah	10,847	-	-	-	-	10,847
Federal government	37,998	-	-	-	-	37,998
Total liabilities	<u>72,978</u>	<u>84,995</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>158,013</u>
Deferred inflows of resources:						
Property taxes levied for future years	-	-	-	-	1,722,698	1,722,698
Fund balances:						
Restricted for:						
School lunch services	-	571,045	-	-	-	571,045
Committed to:						
Community recreation	162,486	-	-	-	-	162,486
Foundation programs	-	-	1,028,576	-	-	1,028,576
Student activities	-	-	-	1,042,940	-	1,042,940
Total fund balances	<u>162,486</u>	<u>571,045</u>	<u>1,028,576</u>	<u>1,042,940</u>	<u>-</u>	<u>2,805,047</u>
Total liabilities and fund balances	<u>\$ 235,464</u>	<u>\$ 656,040</u>	<u>\$ 1,028,576</u>	<u>\$ 1,042,980</u>	<u>\$ 1,722,698</u>	<u>\$ 4,685,758</u>

MURRAY CITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue					Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	Incremental Tax	
Revenues:						
Local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,609,395	\$ 1,609,395
Earnings on investments	3,205	5,201	5,680	-	-	14,086
Lunch sales	-	583,840	-	-	-	583,840
Other local	363,669	18,297	193,791	1,622,514	-	2,198,271
State sources	329,848	377,429	-	-	-	707,277
Federal sources	80,413	1,265,156	-	-	-	1,345,569
Total revenues	<u>777,135</u>	<u>2,249,923</u>	<u>199,471</u>	<u>1,622,514</u>	<u>1,609,395</u>	<u>6,458,438</u>
Expenditures:						
Current:						
Instruction	358,664	-	176,413	1,456,109	-	1,991,186
Supporting services:						
School administration	71	-	-	-	-	71
Operation and maintenance of facilities	24,731	-	-	-	-	24,731
School lunch services	-	2,212,501	-	-	-	2,212,501
Community services	413,968	-	-	-	1,609,395	2,023,363
Total expenditures	<u>797,434</u>	<u>2,212,501</u>	<u>176,413</u>	<u>1,456,109</u>	<u>1,609,395</u>	<u>6,251,852</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(20,299)	37,422	23,058	166,405	-	206,586
Fund balances - beginning	<u>182,785</u>	<u>533,623</u>	<u>1,005,518</u>	<u>876,535</u>	<u>-</u>	<u>2,598,461</u>
Fund balances - ending	<u>\$ 162,486</u>	<u>\$ 571,045</u>	<u>\$ 1,028,576</u>	<u>\$ 1,042,940</u>	<u>\$ -</u>	<u>\$ 2,805,047</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, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local sources:				
Earnings on investments	\$ -	\$ 3,205	\$ 3,205	\$ -
Other local	350,744	363,669	12,925	312,223
State sources	310,132	329,848	19,716	268,286
Federal sources	<u>77,417</u>	<u>80,413</u>	<u>2,996</u>	<u>87,193</u>
Total revenues	<u>738,293</u>	<u>777,135</u>	<u>38,842</u>	<u>667,702</u>
Expenditures:				
Current:				
Salaries	474,965	423,760	51,205	403,733
Employee benefits	157,107	138,157	18,950	135,898
Purchased services	57,570	129,277	(71,707)	63,205
Supplies	73,236	79,612	(6,376)	62,432
Property	1,394	5,633	(4,239)	-
Other objects	<u>38,777</u>	<u>20,995</u>	<u>17,782</u>	<u>57,046</u>
Total expenditures	<u>803,049</u>	<u>797,434</u>	<u>5,615</u>	<u>722,314</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(64,756)	(20,299)	44,457	(54,612)
Fund balances - beginning	<u>182,785</u>	<u>182,785</u>	<u>-</u>	<u>237,397</u>
Fund balances - ending	<u>\$ 118,029</u>	<u>\$ 162,486</u>	<u>\$ 44,457</u>	<u>\$ 182,785</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, 2016
With Comparative Totals for 2015

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Lunch sales	\$ 592,900	\$ 583,840	\$ (9,060)	\$ 616,386
Earnings on investments	3,000	5,201	2,201	3,473
Other local	15,800	18,297	2,497	16,297
State sources	400,000	377,429	(22,571)	350,095
Federal sources	1,285,000	1,265,156	(19,844)	1,234,632
Total revenues	<u>2,296,700</u>	<u>2,249,923</u>	<u>(46,777)</u>	<u>2,220,883</u>
Expenditures:				
Current:				
Salaries	703,404	676,046	27,358	654,977
Benefits	265,981	243,315	22,666	233,429
Purchased services	44,257	26,259	17,998	16,815
Supplies	1,323,059	1,209,938	113,121	1,180,881
Property	10,000	578	9,422	1,884
Other objects	-	56,365	(56,365)	118
Total expenditures	<u>2,346,701</u>	<u>2,212,501</u>	<u>134,200</u>	<u>2,088,104</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(50,001)	37,422	87,423	132,779
Fund balances - beginning	<u>533,623</u>	<u>533,623</u>	<u>-</u>	<u>400,844</u>
Fund balances - ending	<u><u>\$ 483,622</u></u>	<u><u>\$ 571,045</u></u>	<u><u>\$ 87,423</u></u>	<u><u>\$ 533,623</u></u>

MURRAY CITY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Murray Education Foundation
Nonmajor Special Revenue Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	2016	2015
Revenues:		
Local sources:		
Contributions	\$ 193,791	\$ 84,566
Earnings on investments	5,680	5,625
Total revenues	199,471	90,191
Expenditures:		
Current:		
Instruction	176,413	78,387
Excess of revenues over expenditures / net change in fund balances	23,058	11,804
Fund balances - beginning	1,005,518	993,714
Fund balances - ending	\$ 1,028,576	\$ 1,005,518

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, 2016
With Comparative Totals for 2015

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Other local	\$ 1,900,000	\$ 1,622,514	\$ (277,486)	\$ 1,590,147
Expenditures:				
Current:				
Purchased services	350,000	278,654	71,346	334,065
Supplies	1,155,000	877,991	277,009	624,189
Property	70,000	36,288	33,712	62,973
Other objects	325,000	263,176	61,824	516,671
Total expenditures	<u>1,900,000</u>	<u>1,456,109</u>	<u>443,891</u>	<u>1,537,898</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	166,405	(721,377)	52,249
Fund balances - beginning	<u>876,535</u>	<u>876,535</u>	<u>-</u>	<u>824,286</u>
Fund balances - ending	<u><u>\$ 876,535</u></u>	<u><u>\$ 1,042,940</u></u>	<u><u>\$ (721,377)</u></u>	<u><u>\$ 876,535</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Incremental Tax
Nonmajor Special Revenue Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Property taxes	\$ 1,867,806	\$ 1,609,395	\$ (258,411)	\$ 1,572,249
Expenditures:				
Other objects	<u>1,867,806</u>	<u>1,609,395</u>	<u>258,411</u>	<u>1,572,249</u>
Total expenditures	<u>1,867,806</u>	<u>1,609,395</u>	<u>258,411</u>	<u>1,572,249</u>
Excess of revenues over expenditures / net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION
(Unaudited)

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF NET POSITION
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
June 30, 2016 through 2012

	2016	2015	2014	2013	2012
Assets:					
Cash and investments	\$ 33,399,291	\$ 37,560,982	\$ 46,640,295	\$ 62,137,028	\$ 30,203,263
Receivables:					
Property taxes	23,396,278	21,295,069	19,404,912	19,495,080	17,393,802
Other local	35,304	139,808	443,772	15,785	140,732
State of Utah	185,324	243,508	264,120	182,974	335,991
Federal government	1,983,737	729,508	2,134,672	2,011,923	2,010,783
Prepaid items	-	-	-	48,840	-
Inventories	503,966	738,547	618,420	588,061	498,688
Net OPEB asset	296,416	259,073	172,091	85,010	-
Net pension asset	830	11,167	-	-	-
Capital assets:					
Land and construction in progress	18,939,099	56,137,065	37,658,593	22,137,243	17,736,806
Buildings and equipment, net of accumulated depreciation	80,061,225	39,668,319	39,368,447	37,004,057	38,297,904
Total assets	<u>158,801,470</u>	<u>156,783,046</u>	<u>146,705,322</u>	<u>143,706,001</u>	<u>106,617,969</u>
Deferred outflows of resources:					
Deferred amounts on refundings	444,506	481,902	519,297	556,692	514,422
Related to pensions	8,517,914	2,762,584	-	-	-
Total deferred outflows of resources	<u>8,962,420</u>	<u>3,244,486</u>	<u>519,297</u>	<u>556,692</u>	<u>514,422</u>
Liabilities:					
Accounts payable	375,991	3,894,509	5,721,578	4,331,581	2,613,995
Accrued interest	619,798	660,735	681,146	718,313	324,766
Accrued salaries and benefits	4,671,164	5,057,777	3,353,008	3,199,843	3,160,631
Unearned revenue:					
Other local	106,203	58,498	63,719	63,615	51,206
State of Utah	1,570,175	857,831	465,884	849,335	1,207,369
Federal government	40,538	47,198	39,745	38,302	19,911
Noncurrent liabilities:					
Due and payable within one year	2,218,533	2,644,432	2,500,370	2,045,843	1,882,834
Due and payable after one year	72,843,821	69,722,084	46,317,334	48,262,636	16,296,771
Total liabilities	<u>82,446,223</u>	<u>82,943,064</u>	<u>59,142,784</u>	<u>59,509,468</u>	<u>25,557,483</u>
Deferred inflows of resources:					
Property taxes levied for future year	22,965,176	20,998,960	19,088,560	19,076,712	16,937,503
Related to pensions	2,386,396	1,737,631	-	-	-
Total deferred inflows of resources	<u>25,351,572</u>	<u>22,736,591</u>	<u>19,088,560</u>	<u>19,076,712</u>	<u>16,937,503</u>
Net position:					
Net investment in capital assets	48,919,895	48,136,484	40,978,902	37,618,325	38,734,132
Restricted for:					
Debt service	2,189,891	1,715,988	1,333,152	1,192,106	1,660,449
Capital projects	10,516,767	8,353,011	14,305,642	14,347,405	11,823,367
Community recreation	-	-	-	-	707,773
School lunch services	571,045	533,623	400,844	552,778	207,944
Transportation	-	-	-	-	60,938
Unrestricted	(2,231,503)	(4,391,229)	11,974,735	11,965,899	11,442,802
Total net position	<u>\$ 59,966,095</u>	<u>\$ 54,347,877</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>

Note: Beginning in FY2015, The District implemented GASB Statements 68 and 71, recording its proportionate share of net pension liabilities. Prior years have not been restated.

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
Years Ended June 30, 2016 through 2012

	2016	2015	2014	2013	2012
Expenses:					
Instruction	\$ 32,176,391	\$ 30,548,060	\$ 31,777,260	\$ 30,043,867	\$ 29,984,312
Supporting services:					
Student	1,990,083	1,837,703	2,050,234	2,044,784	1,723,176
Instructional staff	1,200,999	1,263,491	1,238,961	1,440,676	1,789,506
General administration	1,411,449	852,698	826,392	1,157,888	1,127,919
School administration	2,651,626	2,538,263	2,615,622	2,527,867	2,542,028
Central	1,707,696	1,480,253	1,812,860	1,525,412	1,677,403
Operation and maintenance of facilities	4,130,799	4,074,009	4,368,676	4,218,582	4,227,793
Student transportation	1,045,555	1,038,743	1,191,137	955,311	1,062,989
School lunch services	2,286,043	1,827,757	2,121,428	2,460,235	2,445,521
Community services	2,555,574	2,424,603	876,442	863,161	898,992
Interest on long-term liabilities	1,469,046	1,502,680	1,508,077	1,309,671	848,161
Total school district	<u>52,625,261</u>	<u>49,388,260</u>	<u>50,387,089</u>	<u>48,547,454</u>	<u>48,327,800</u>
Program revenues:					
Instruction	8,759,257	7,619,078	9,115,328	7,875,378	7,420,401
Supporting services:					
Student	419,119	504,785	506,974	572,124	498,606
Instructional staff	237,677	273,959	239,865	214,581	301,029
General administration	195,856	120,730	144,996	196,136	195,127
School administration	1,236	91	1,142	2,584	1,299
Central	371	-	283	473	240
Operation and maintenance of facilities	65,005	74,762	72,865	68,911	90,076
Student transportation	407,035	367,727	289,015	423,519	451,666
School lunch services	2,244,722	2,077,146	2,113,306	2,173,814	2,357,006
Community services	544,584	525,789	555,573	541,707	498,830
Total program revenues	<u>12,874,862</u>	<u>11,564,067</u>	<u>13,039,347</u>	<u>12,069,227</u>	<u>11,814,280</u>
Net (expense) revenue	<u>(39,750,399)</u>	<u>(37,824,193)</u>	<u>(37,347,742)</u>	<u>(36,478,227)</u>	<u>(36,513,520)</u>
General revenues:					
Property taxes	25,089,613	21,799,930	20,051,978	18,002,328	17,867,632
Federal and state aid not restricted to specific purposes	18,403,773	18,700,055	17,865,935	17,245,373	17,258,358
Earnings on investments	249,614	198,425	464,706	444,239	377,904
Miscellaneous	1,625,617	1,467,756	2,281,885	1,825,395	1,208,407
Total general revenues	<u>45,368,617</u>	<u>42,166,166</u>	<u>40,664,504</u>	<u>37,517,335</u>	<u>36,712,301</u>
Change in net position	<u>5,618,218</u>	<u>4,341,973</u>	<u>3,316,762</u>	<u>1,039,108</u>	<u>198,781</u>
Net position - beginning	<u>54,347,877</u>	<u>50,005,904</u>	<u>65,676,513</u>	<u>64,637,405</u>	<u>64,438,624</u>
Net position - ending	<u>\$ 59,966,095</u>	<u>\$ 54,347,877</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>

Note: Beginning in FY2015, The District implemented GASB Statements 68 and 71, restating and decreasing beginning net position by \$18,987,371.

**MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEETS**
June 30, 2016 through 2012

	2016	2015	2014	2013	2012
Assets:					
Cash and investments	\$ 16,039,637	\$ 15,433,095	\$ 13,004,429	\$ 13,525,934	\$ 12,294,577
Accounts receivable:					
Property taxes	16,676,650	15,424,736	12,228,568	12,353,750	11,623,979
Other local	17,090	106,555	417,273	2,215	127,652
State sources	35,943	149,154	115,516	33,589	212,719
Federal sources	1,920,859	665,967	2,066,103	1,948,251	1,973,548
Inventories	503,966	738,547	618,420	588,061	498,688
Due from other funds	-	-	-	-	199,285
Total assets	<u>\$ 35,194,145</u>	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>
Liabilities:					
Accounts payable	\$ 56,229	\$ 274,946	\$ 2,438,769	\$ 2,248,809	\$ 2,048,589
Accrued salaries and benefits	4,638,751	5,029,791	3,353,008	3,199,843	3,112,877
Unearned revenue:					
Other local	30,188	20,819	19,155	16,179	21,462
State sources	1,559,328	845,423	463,485	842,883	1,205,016
Federal sources	2,540	2,135	1,935	3,480	3,967
Total liabilities	<u>6,287,036</u>	<u>6,173,114</u>	<u>6,276,352</u>	<u>6,311,194</u>	<u>6,391,911</u>
Deferred inflows of resources:					
Unavailable property tax revenue	338,995	227,590	275,543	321,351	472,406
Property taxes levied for future year	16,363,283	15,233,080	12,010,486	12,049,626	11,163,985
Total deferred inflows of resources	<u>16,702,278</u>	<u>15,460,670</u>	<u>12,286,029</u>	<u>12,370,977</u>	<u>11,636,391</u>
Fund balances:					
Nonspendable:					
Inventories	503,966	738,547	618,420	588,061	498,688
Restricted for:					
Other purposes	-	-	-	-	60,938
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	5,238,358
Unassigned	4,462,507	2,907,365	2,031,150	1,943,210	1,104,162
Total fund balances	<u>12,204,831</u>	<u>10,884,270</u>	<u>9,887,928</u>	<u>9,769,629</u>	<u>8,902,146</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,194,145</u>	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>

**MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

Years Ended June 30, 2016 through 2012 with Proposed Budget for 2017

	Proposed Budget					
	2017	2016	2015	2014	2013	2012
Revenues:						
Property taxes	\$ 14,874,607	\$ 15,137,038	\$ 13,085,134	\$ 13,072,096	\$ 12,704,863	\$ 12,429,628
Earnings on investments	53,089	69,374	46,091	221,667	180,993	232,949
Other local	1,263,236	1,705,920	1,103,353	1,815,282	1,582,864	1,247,219
State sources	25,251,241	23,248,802	23,464,081	23,424,024	22,345,426	22,060,958
Federal sources	2,200,121	2,178,252	2,036,473	2,140,924	2,049,985	2,080,138
Total revenues	43,642,294	42,339,386	39,735,132	40,673,993	38,864,131	38,050,892
Expenditures:						
Current:						
Instruction	28,846,790	26,908,029	26,021,870	26,681,479	25,117,465	25,798,621
Support services:						
Student	2,385,900	2,017,310	1,910,815	2,048,427	2,043,406	1,719,344
Instructional staff	1,609,693	1,212,529	1,305,622	1,238,961	1,433,949	1,789,007
General administration	1,171,054	1,413,897	772,274	814,176	827,656	1,117,197
School administration	2,846,472	2,636,419	2,598,100	2,570,701	2,479,157	2,493,320
Central	1,537,143	1,532,158	1,363,418	1,611,790	1,190,811	1,504,572
Operation and maintenance of facilities	4,294,967	3,500,308	3,498,596	3,738,893	3,573,033	3,611,771
Student transportation	884,055	786,629	789,440	951,224	833,039	800,502
Community services	570,870	541,011	478,655	517,905	498,132	130,861
Capital outlay	626	470,535	-	382,138	-	-
Total expenditures	44,147,570	41,018,825	38,738,790	40,555,694	37,996,648	38,965,195
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(505,276)	1,320,561	996,342	118,299	867,483	(914,303)
Fund balances - beginning	10,884,270	10,884,270	9,887,928	9,769,629	8,902,146	9,816,449
Fund balances - ending	<u>\$ 10,378,994</u>	<u>\$ 12,204,831</u>	<u>\$ 10,884,270</u>	<u>\$ 9,887,928</u>	<u>\$ 9,769,629</u>	<u>\$ 8,902,146</u>

Source: District records

MURRAY CITY SCHOOL DISTRICT
HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY

Tax (Calendar) Years 2015 through 2011

	2015		2014	2013	2012	2011
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by state tax commission-centrally assessed	\$ 48,113,496	1.4 %	\$ 42,490,546	\$ 43,924,492	\$ 42,576,654	\$ 49,769,449
Set by county assessor-locally assessed						
Real property:						
Primary residential	1,447,157,492	43.1	1,373,960,677	1,269,724,702	1,206,067,631	1,256,582,040
Other residential	23,600,990	0.7	23,322,500	22,821,670	22,431,230	24,124,360
Commercial and industrial	1,526,082,590	45.5	1,435,243,980	1,401,848,820	1,374,324,080	1,350,635,910
Agriculture buildings	10,480	0.0	9,510	9,010	106,660	102,870
Unimproved non FAA	6,110	0.0	6,240	6,670	6,510	6,380
Total real property	<u>2,996,857,662</u>	<u>89.3</u>	<u>2,832,542,907</u>	<u>2,694,410,872</u>	<u>2,602,936,111</u>	<u>2,631,451,560</u>
Personal property:						
Primary mobile homes	5,120,520	0.2	5,159,803	5,349,989	5,557,163	5,778,968
Secondary mobile homes	103,088	0.0	75,225	113,647	147,575	108,106
Other business personal	210,961,992	6.3	211,786,307	211,233,953	207,929,139	188,765,015
SCME	63,608	0.0	-	-	-	-
Total personal property	<u>216,249,208</u>	<u>6.4</u>	<u>217,021,335</u>	<u>216,697,589</u>	<u>213,633,877</u>	<u>194,652,089</u>
Fee in lieu property	<u>96,478,395</u>	<u>2.9</u>	<u>88,985,799</u>	<u>91,810,534</u>	<u>89,306,352</u>	<u>90,723,186</u>
Total locally assessed	<u>3,309,585,265</u>	<u>98.6</u>	<u>3,138,550,041</u>	<u>3,002,918,995</u>	<u>2,905,876,340</u>	<u>2,916,826,835</u>
Total taxable value (TV)	<u>\$ 3,357,698,761</u>	<u>100.0 %</u>	<u>\$ 3,181,040,587</u>	<u>\$ 3,046,843,487</u>	<u>\$ 2,948,452,994</u>	<u>\$ 2,966,596,284</u>
Total taxable value (less fee in lieu)	<u>\$ 3,261,220,366</u>		<u>\$ 3,092,054,788</u>	<u>\$ 2,955,032,953</u>	<u>\$ 2,859,146,642</u>	<u>\$ 2,875,873,098</u>

Source: Property Tax Division, Utah State Tax Commission

MURRAY CITY SCHOOL DISTRICT

TAX RATES AND COLLECTIONS

Years Ended June 30, 2016 through 2012 with Proposed Budget for 2017

	Proposed Budget		2016		2015		2014		2013		2012	
	2107											
	Tax Rate	Budgeted Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
General fund:												
Basic levy	0.001675	\$ 2,654,090	0.001736	\$ 5,611,432	0.001419	\$ 4,318,543	0.001535	\$ 4,540,488	0.001651	\$ 4,758,747	0.001591	\$ 4,632,853
Voted local levy	0.007860	12,454,419	0.001697	5,485,369	0.001786	5,435,460	0.001756	5,194,201	0.001786	5,147,862	0.000000	-
Board local levy	0.000927	1,468,861	0.001249	4,037,257	0.001097	3,338,578	0.001123	3,337,407	0.000892	2,571,049	0.000000	-
Voted leeway (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.001815	5,285,121
Reading program (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000120	349,429
Special transportation (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000119	346,518
Tort liability (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000018	52,414
10% of basic levy (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000479	1,394,806
Total general fund	0.010462	16,577,370	0.004682	15,134,058	0.004302	13,092,581	0.004414	13,072,096	0.004329	12,477,658	0.004142	12,061,141
Non K-12 programs fund:												
Community recreation (a)	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000134	390,196
Debt service fund:												
Debt service	0.001102	1,746,154	0.001211	3,914,426	0.001277	3,870,873	0.001307	3,866,071	0.000841	2,424,049	0.000819	2,384,856
Capital projects fund:												
Capital local	0.000201	318,491	0.000593	1,916,808	0.000667	2,029,928	0.000682	2,017,247	0.000711	2,049,345	0.000506	1,473,428
Capital outlay equalized	0.000600	1,912,170	0.000600	2,405,701	0.000600	1,281,290	0.000600	1,148,929	0.000600	1,110,856	0.000600	1,121,264
Total capital projects fund	0.000801	2,230,661	0.001193	4,322,509	0.001267	3,311,218	0.001282	3,166,176	0.001311	3,160,201	0.001106	2,594,692
Total tax rate / collections	0.012365	\$ 20,554,185	0.007086	\$ 23,370,993	0.006846	\$ 20,290,184	0.007003	\$ 20,088,831	0.006481	\$ 18,061,908	0.006201	\$ 17,430,885

Notes:

Tax rates are levied for the calendar year. This schedule reports collections for fiscal years ended June 30. For example, calendar year 2015 tax rates are for the District's fiscal year ended June 30, 2016. 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.

Tax collections exclude incremental taxes collected by the County and remitted directly to the redevelopment agencies for redevelopment projects.

(a) Levy was collapsed into board local levy in tax year 2012 (Fiscal year 2013)

MURRAY CITY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2016

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MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	District's Program Number	Passed Through to Subrecipients	Receivable (Unearned) June 30, 2015	Received	Expended	Receivable (Unearned) June 30, 2016
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	\$ -	\$ 1,598	\$ 165,485	\$ 165,631	\$ 1,744
National School Lunch Program	10.555	42	8001	-	7,850	927,199	936,183	16,834
National School Lunch Program (Donated Commodities)	10.555		8001	-	-	163,342	163,342	-
Total Child Nutrition Cluster				-	9,448	1,256,026	1,265,156	18,578
Passed Through Salt Lake County:								
<i>Forest Service Schools and Roads Cluster:</i>								
Schools and Roads - Grants to States	10.665	n/a	0050	-	-	1,215	1,215	-
Total U.S. Department of Agriculture				-	9,448	1,257,241	1,266,371	18,578
U.S. DEPARTMENT OF EDUCATION:								
Direct:								
Indian Education - Grants to Local Educational Agencies	84.060		7608	-	35,253	634	-	34,619
Passed Through State of Utah Board of Education:								
<i>Special Education Cluster (IDEA):</i>								
Special Education - Grants to States	84.027	19	7551	-	329,638	329,638	1,025,298	1,025,298
Special Education - Preschool Grants	84.173	52	7550	-	-	-	32,428	32,428
Total Special Education Cluster (IDEA)				-	329,638	329,638	1,057,726	1,057,726
Title I Grants to Local Educational Agencies	84.010	08	7511	-	132,067	347,277	775,785	560,575
Special Education - State Personnel Development	84.323	29	5206	-	9,313	22,004	24,703	12,012
Career and Technical Education - Basic Grants to States	84.048	21	6000	-	60,456	60,456	66,223	66,223
English Language Acquisition State Grants	84.365	73	7507	-	34,859	34,859	51,856	51,856
Improving Teacher Quality State Grants	84.367	74	7505	-	64,381	64,381	169,163	169,163
Total U.S. Department of Education				-	665,967	859,249	2,145,456	1,952,174
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
Passed Through State of Utah Department of Human Services:								
Head Start	93.600	n/a	7321	-	11,283	4,777	5,366	11,872
Passed Through DDI Vantage:								
Head Start	93.600	n/a	1280	-	(33,211)	47,405	42,618	(37,998)
Passed Through Jordan School District:								
Block Grants for Prevention and Treatment of Substance Abuse	93.959	n/a	7609	-	(2,135)	-	708	(1,427)
Total U.S. Department of Health and Human Services				-	(24,063)	52,182	48,692	(27,553)
U.S. DEPARTMENT OF HOMELAND SECURITY								
Passed Through Utah Division of Emergency Management:								
Hazard Mitigation Grant	97.039	n/a		-	30,958	954,125	923,167	-
Total federal awards				\$ -	\$ 682,310	\$ 3,122,797	\$ 4,383,686	\$ 1,943,199

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

Note A. Basis for Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Murray City School District (the District) under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

Note B. Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Donated food commodities are recorded at acquisition value in the *school food services fund* as an inventory asset and federal revenue when received totaling \$163,342 for the year ended June 30, 2016. Donated food commodity inventories are recorded as expenditures in the *school food services fund* when they are consumed by the schools; for purposes of the Schedule, donated food commodities are also recorded as expenditures when received.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2016 is as follows:

General Fund	\$ 2,178,252
Capital Projects Fund	923,167
Special Revenue Funds:	
Non K-12 Programs	80,413
School Lunch	1,265,156
	<hr/>
Total governmental funds	4,446,988
Medical Assistance Program grant monies received through State of Utah Department of Health	 <hr/> (63,302)
Total federal revenue reported on the Schedule of Expenditures of Federal Awards (SEFA)	 <hr/> <hr/> \$ 4,383,686



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, 2016, 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 22, 2016.

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 22, 2016



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 the Uniform Guidance

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 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, 2016.

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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 22, 2016, which contained unmodified opinions on those basic 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 the Uniform Guidance and is not a required part of the basic 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 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 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 22, 2016

MURRAY CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

No matters were reported in the prior year audit.

MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes 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 2 CFR 200.156(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Education
Murray City School District

Report on Compliance

We have audited the compliance of Murray City School District (the District) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2016.

- Minimum School Program
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- School District Tax Levies
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- School Fees

Management's Responsibility

Management is responsible for compliance with the state compliance requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state 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 Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion, Murray City School District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

Board Meeting Minutes – The Open Public Meeting Act requires the District to post approved board meeting minutes to the Utah Public Notice Website. The approved board meeting minutes are not being posted as required. We recommend that the approved board meeting minutes be posted as required.

Views of responsible officials – We appreciate your recommendations. We will review these items and make changes as necessary.

The District's response to the noncompliance findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State 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 Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire + Company, PC

Orem, Utah
November 22, 2016