

MURRAY CITY SCHOOL DISTRICT

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

Year Ended June 30, 2017

FINANCIAL SECTION

MURRAY CITY SCHOOL DISTRICT

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Year Ended June 30, 2017

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Independent Auditor's Report

Board of Education
Murray City School District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District (the District) as of and for the year ended June 30, 2017, 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, 2017, 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 20, 2017 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 the effectiveness of the District's 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 20, 2017

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, 2017.

Financial Highlights

- The District's total net position was \$66.0 million at the close of the most recent year, the largest portion of which is invested in capital assets.
- During the year, expenses were \$6.0 million less than the \$59.7 million generated in taxes and other revenues for governmental activities.
- Student enrollment decreased by 7 students to a total of 6,494 students for fiscal year 2017. The value of the State's Weighted Pupil Unit (WPU) increased by \$92 or 3.0%. Total state aid increased by \$1.1 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 \$66.0 million at the close of the most recent fiscal year.

MURRAY CITY SCHOOL DISTRICT'S Net Position

(in millions of dollars)

June 30, 2017 and 2016

	Governmental activities		Total change
	2017	2016	2017-2016
Current and other assets	\$ 66.0	\$ 59.8	\$ 6.2
Capital assets	97.8	99.0	(1.2)
Total assets	163.8	158.8	5.0
Deferred outflows of resources	9.8	9.0	0.8
Current and other liabilities	8.2	7.4	0.8
Long-term liabilities outstanding	72.2	75.0	(2.8)
Total liabilities	80.4	82.4	(2.0)
Deferred inflows of resources	27.2	25.4	1.8
Net position:			
Net investment in capital assets	50.4	48.9	1.5
Restricted	15.9	13.3	2.6
Unrestricted	(0.3)	(2.2)	1.9
Total net position	\$ 66.0	\$ 60.0	\$ 6.0

- The largest portion of the District's net position (\$50.4 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 (\$15.9 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 \$0.3 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 \$6.0 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

MURRAY CITY SCHOOL DISTRICT'S Changes in Net Position

(in millions of dollars)

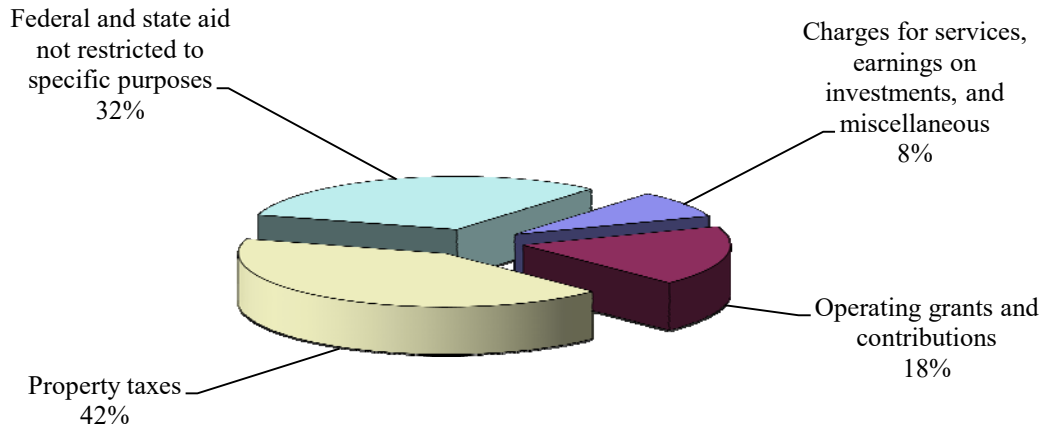
Years Ended June 30, 2017 and 2016

	<u>Governmental activities</u>		<u>Total</u>
	<u>2017</u>	<u>2016</u>	<u>change</u>
			<u>2017-2016</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3.1	\$ 2.9	\$ 0.2
Operating grants and contributions	10.9	10.0	0.9
General revenues:			
Property taxes	25.0	25.1	(0.1)
Federal and state aid not restricted to specific purposes	18.9	18.4	0.5
Earnings on investments	0.4	0.3	0.1
Miscellaneous	1.4	1.6	(0.2)
Total revenues	<u>59.7</u>	<u>58.3</u>	<u>1.4</u>
Expenses:			
Instruction	32.4	32.2	0.2
Supporting services:			
Students	2.2	2.0	0.2
Instructional staff	1.2	1.2	-
General administration	1.2	1.4	(0.2)
School administration	2.9	2.6	0.3
Central	1.9	1.7	0.2
Operation and maintenance of facilities	4.5	4.1	0.4
Student transportation	1.2	1.0	0.2
School lunch services	2.3	2.3	-
Community services	2.5	2.6	(0.1)
Interest on long-term liabilities	1.4	1.5	(0.1)
Total expenses	<u>53.7</u>	<u>52.6</u>	<u>1.1</u>
Change in net position	<u>6.0</u>	<u>5.7</u>	<u>0.3</u>
Net position - beginning	<u>60.0</u>	<u>54.3</u>	<u>5.7</u>
Net position - ending	<u>\$ 66.0</u>	<u>\$ 60.0</u>	<u>\$ 6.0</u>

Governmental activities – The key elements of the increase in the District's net position for the year ended June 30, 2017 are as follows:

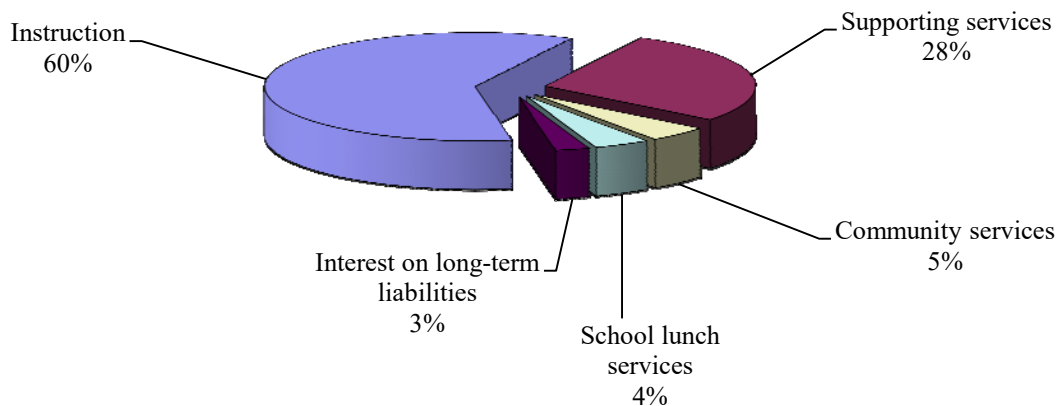
- State aid increased compared to the prior year. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that, 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 3.0% during the year ended June 30, 2017 (\$3,184 during 2017 as compared to \$3,092 in 2016).

**Murray City School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2017**



- Instruction represents the largest dollar portion of expenses of \$32.4 million primarily for teacher salaries and related benefits.

**Murray City School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2017**



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 \$32.3 million, \$4.1 million more than the previous year primarily due to an increase in the fund balance of the *capital projects fund* and the *general fund*. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$42.5 million, an increase of 3.7% during the current fiscal year. This compares to a 5.9% increase in 2016. Instruction represents 67.2% of *general fund* expenditures.
- *General fund* salaries totaled \$25.9 million while the associated employee benefits of retirement, social security, and insurance added \$12.1 million to arrive at 89.3% of total *general fund* expenditures. This compares to 90.1% in 2016.

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, 2017, the District's combined governmental fund balance is \$32.3 million (\$0.7 million in nonspendable, \$16.4 million in restricted, \$9.5 million in committed, and \$5.7 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 \$1.1 million or 2.4% in total *general fund* revenues to account for anticipated increases primarily in revenue from other local sources. Final budgeted expenditures were more than the original budgetary estimates by \$0.5 million or 1.1%. The increase primarily reflects higher expenditures in instruction and operation and maintenance of facilities than anticipated.

Actual expenditures were \$2.1 million less than final budgeted amounts. The most significant positive variances were \$0.7 million in operation and maintenance of facilities, \$0.4 million in instruction, and \$0.4 million in instructional staff. Conversely, revenues were \$0.7 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, 2017 amounts to \$97.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, and equipment. The total decrease in capital assets for the current year was

\$1.2 million or 1.2% primarily due to depreciation of capital assets. Capital assets at June 30, 2017 and 2016 are outlined below:

MURRAY CITY SCHOOL DISTRICT'S Capital Assets

(net of accumulated depreciation, in millions of dollars)

June 30, 2017 and 2016

	Governmental activities		Total change
	2017	2016	2017-2016
Land	\$ 17.7	\$ 17.7	\$ -
Construction in progress	-	1.2	(1.2)
Buildings	78.5	78.5	-
Equipment	1.6	1.6	-
Total capital assets	<u>\$ 97.8</u>	<u>\$ 99.0</u>	<u>\$ (1.2)</u>

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

Debt administration – At June 30, 2017, the District had total bonded debt outstanding of \$47.9 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 \$2.6 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, 2017 and 2016

	Governmental activities		Total change
	2017	2016	2017-2016
Net general obligation bonds	\$ 41.3	\$ 43.5	\$ (2.2)
Lease revenue bonds payable	6.6	7.0	(0.4)
Total outstanding debt	<u>\$ 47.9</u>	<u>\$ 50.5</u>	<u>\$ (2.6)</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, 2017 is \$195.6 million. Net general obligation debt at June 30, 2017 is \$41.3 million, resulting in a legal debt margin of \$154.3 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, 2017

	Governmental Activities
Assets:	
Cash and investments	\$ 39,206,467
Receivables:	
Property taxes	24,163,178
Other local	25,221
State of Utah	474,610
Federal government	1,232,868
Inventories	675,329
Net OPEB asset	245,190
Capital assets:	
Land	17,741,806
Buildings and equipment, net of accumulated depreciation	80,053,753
Total assets	<u>163,818,422</u>
Deferred outflows of resources:	
Deferred charge on refunding	407,111
Related to pensions	9,435,293
Total deferred outflows of resources	<u>9,842,404</u>
Liabilities:	
Accounts payable	535,555
Accrued interest	584,628
Accrued salaries and benefits	4,787,558
Unearned revenue:	
Other local	115,950
State of Utah	2,108,820
Federal government	49,093
Noncurrent liabilities:	
Due and payable within one year	3,306,390
Due and payable after one year	68,908,024
Total liabilities	<u>80,396,018</u>
Deferred inflows of resources:	
Property taxes levied for future year	23,842,069
Related to pensions	3,389,069
Total deferred inflows of resources	<u>27,231,138</u>
Net position:	
Net investment in capital assets	50,356,828
Restricted for:	
Debt service	2,639,637
Capital projects	12,456,676
School lunch services	836,304
Unrestricted	(255,775)
Total net position	<u>\$ 66,033,670</u>

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

MURRAY CITY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2017

Activities and Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 32,430,681	\$ 1,933,440	\$ 7,838,515	\$ (22,658,726)
Supporting services:				
Students	2,190,849	-	586,274	(1,604,575)
Instructional staff	1,228,378	-	280,397	(947,981)
General administration	1,218,070	-	263,015	(955,055)
School administration	2,853,444	-	1,212	(2,852,232)
Central	1,876,871	-	585	(1,876,286)
Operation and maintenance of facilities	4,509,905	32,793	26,894	(4,450,218)
Student transportation	1,162,782	9,707	394,708	(758,367)
School lunch services	2,290,196	693,836	1,722,125	125,765
Community services	2,516,963	430,725	125,338	(1,960,900)
Interest on long-term liabilities	1,424,857	-	-	(1,424,857)
Total school district	<u>\$ 53,702,996</u>	<u>\$ 3,100,501</u>	<u>\$ 11,239,063</u>	<u>(39,363,432)</u>
General revenues:				
Property taxes levied for:				
Basic				6,898,454
Voted local				7,355,606
Board local				3,817,831
Debt service				4,538,565
Capital local				827,815
Incremental taxes				<u>1,567,262</u>
Total property taxes				25,005,533
Federal and state aid not restricted to specific purposes				18,524,911
Earnings on investments				457,158
Miscellaneous				<u>1,443,405</u>
Total general revenues				<u>45,431,007</u>
Change in net position				6,067,575
Net position - beginning				<u>59,966,095</u>
Net position - ending				<u><u>\$ 66,033,670</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 18,611,032	\$ 3,176,552	\$ 12,431,535	\$ 3,144,938	\$ 37,364,057
Receivables:					
Property taxes	15,710,095	3,648,858	2,785,664	2,018,561	24,163,178
Other local	-	-	-	25,221	25,221
State of Utah	306,229	-	-	168,381	474,610
Federal government	1,216,588	-	-	16,280	1,232,868
Inventories	675,329	-	-	-	675,329
Total assets	<u>\$ 36,519,273</u>	<u>\$ 6,825,410</u>	<u>\$ 15,217,199</u>	<u>\$ 5,373,381</u>	<u>\$ 63,935,263</u>
Liabilities:					
Accounts payable	\$ 182,869	\$ -	\$ 33,778	\$ 20,044	\$ 236,691
Accrued salaries and benefits	4,750,330	-	-	37,228	4,787,558
Unearned revenue:					
Other local	35,212	-	-	80,738	115,950
State of Utah	2,094,850	-	-	13,970	2,108,820
Federal government	7,681	-	-	41,412	49,093
Total liabilities	<u>7,070,942</u>	<u>-</u>	<u>33,778</u>	<u>193,392</u>	<u>7,298,112</u>
Deferred inflows of resources:					
Unavailable property tax revenue	324,247	75,280	57,821	-	457,348
Property taxes levied for future year	15,495,618	3,601,145	2,726,745	2,018,561	23,842,069
Total deferred inflows of resources	<u>15,819,865</u>	<u>3,676,425</u>	<u>2,784,566</u>	<u>2,018,561</u>	<u>24,299,417</u>
Fund balances:					
Nonspendable:					
Inventories	675,329	-	-	-	675,329
Restricted for:					
Debt service	-	3,148,985	-	-	3,148,985
Capital projects	-	-	12,398,855	-	12,398,855
School lunch services	-	-	-	836,304	836,304
Committed to:					
Economic stabilization	2,000,000	-	-	-	2,000,000
Employee and retiree benefits	5,238,358	-	-	-	5,238,358
Community recreation	-	-	-	156,891	156,891
Foundation programs	-	-	-	1,061,696	1,061,696
Student activities	-	-	-	1,106,537	1,106,537
Unassigned	5,714,779	-	-	-	5,714,779
Total fund balances	<u>13,628,466</u>	<u>3,148,985</u>	<u>12,398,855</u>	<u>3,161,428</u>	<u>32,337,734</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,519,273</u>	<u>\$ 6,825,410</u>	<u>\$ 15,217,199</u>	<u>\$ 5,373,381</u>	<u>\$ 63,935,263</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, 2017

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

Total fund balances for governmental funds	\$ 32,337,734
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Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 17,741,806	
Buildings, net of \$24,194,806 accumulated depreciation	78,455,432	
Equipment, net of \$3,571,072 accumulated depreciation	1,598,321	97,795,559

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.	457,348
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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	(38,570,000)	
Unamortized bond issuance premiums	(2,711,842)	
Unamortized deferred amounts on refunding	407,111	
Lease revenue bonds payable	(6,564,000)	
Accrued interest	(584,628)	
Compensated absences payable	(155,874)	
Net pension liability	(23,142,771)	
Deferred outflows of resources related to pensions	9,435,293	
Deferred inflows of resources related to pensions	(3,389,069)	
Early retirement benefits payable	(1,069,927)	(66,345,707)

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:

	1,788,736
Total net position of governmental activities	\$ 66,033,670

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, 2017

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Local sources:					
Property taxes	\$ 15,591,759	\$ 3,917,793	\$ 3,911,029	\$ 1,567,262	\$ 24,987,843
Earnings on investments	128,291	24,880	258,973	25,234	437,378
School lunch sales	-	-	-	675,028	675,028
Other local sources	1,593,311	-	-	2,275,567	3,868,878
State sources	24,318,745	-	24,685	686,446	25,029,876
Federal sources	2,312,229	-	994,302	1,427,567	4,734,098
Total revenues	43,944,335	3,942,673	5,188,989	6,657,104	59,733,101
Expenditures:					
Current:					
Instruction	28,588,718	-	574,474	2,193,709	31,356,901
Supporting services:					
Students	2,180,109	-	2,742	-	2,182,851
Instructional staff	1,221,113	-	3,492	-	1,224,605
General administration	987,661	-	3,650	-	991,311
School administration	2,764,263	-	-	44	2,764,307
Central	1,600,524	-	237,012	-	1,837,536
Operation and maintenance of facilities	3,726,625	-	555,813	12,572	4,295,010
Student transportation	865,633	-	162,791	-	1,028,424
School lunch services	-	-	-	2,165,887	2,165,887
Community services	586,054	-	-	1,928,511	2,514,565
Capital outlay	-	-	1,167,916	-	1,167,916
Debt service:					
Principal retirement	-	2,070,000	436,000	-	2,506,000
Interest and other charges	-	1,448,242	147,487	-	1,595,729
Total expenditures	42,520,700	3,518,242	3,291,377	6,300,723	55,631,042
Excess of revenues over expenditures / net change in fund balances	1,423,635	424,431	1,897,612	356,381	4,102,059
Fund balances - beginning	12,204,831	2,724,554	10,501,243	2,805,047	28,235,675
Fund balances - ending	\$ 13,628,466	\$ 3,148,985	\$ 12,398,855	\$ 3,161,428	\$ 32,337,734

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, 2017

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 **\$ 4,102,059**

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	\$ 1,282,361	
Loss on disposal of capital assets	(2,387)	
Depreciation expense	<u>(2,484,739)</u>	(1,204,765)

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	2,506,000	
Interest expense - general obligation bonds	35,170	
Amortization of bond premium	173,097	
Amortization of deferred amounts on refunding	<u>(37,395)</u>	2,676,872

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. 17,690

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	(7,341)	
Early retirement benefits	231,592	
Pension expense	<u>(141,532)</u>	82,719

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. 393,000

Change in net position of governmental activities **\$ 6,067,575**

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Local sources:				
Property taxes	\$ 14,874,608	\$ 15,074,608	\$ 15,591,759	\$ 517,151
Earnings on investments	53,089	53,089	128,291	75,202
Other local sources	1,263,235	1,858,103	1,593,311	(264,792)
State sources	25,251,241	25,508,289	24,318,745	(1,189,544)
Federal sources	2,200,121	2,200,121	2,312,229	112,108
Total revenues	43,642,294	44,694,210	43,944,335	(749,875)
Expenditures:				
Current:				
Instruction	28,846,790	29,031,487	28,588,718	442,769
Supporting services:				
Student	2,385,900	2,454,360	2,180,109	274,251
Instructional staff	1,609,693	1,645,183	1,221,113	424,070
General administration	1,171,054	1,220,789	987,661	233,128
School administration	2,846,472	2,857,339	2,764,263	93,076
Central	1,537,143	1,554,087	1,600,524	(46,437)
Operation and maintenance of facilities	4,294,967	4,399,811	3,726,625	673,186
Student transportation	884,055	894,500	865,633	28,867
Community services	570,870	570,870	586,054	(15,184)
Capital outlay	626	26,626	-	26,626
Total expenditures	44,147,570	44,655,052	42,520,700	2,134,352
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(505,276)	39,158	1,423,635	1,384,477
Fund balances - beginning	12,204,831	12,204,831	12,204,831	-
Fund balances - ending	\$ 11,699,555	\$ 12,243,989	\$ 13,628,466	\$ 1,384,477

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, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Cash and investments	\$ 1,842,410
Net OPEB asset	<u>245,190</u>
Total assets	<u>2,087,600</u>
Liabilities:	
District retirement benefit	<u>298,864</u>
Net position, unrestricted	<u><u>\$ 1,788,736</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, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Revenues:	
Charges for services	\$ 777,765
Expenses:	
Supporting services:	
Benefit payouts	404,545
Total expenses	404,545
Operating income	373,220
Nonoperating revenue:	
Earnings on investments	19,780
Change in net position	393,000
Net position - beginning	1,395,736
Net position - ending	<u><u>\$ 1,788,736</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, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Insurance premiums received from users	\$ 777,765
Cash paid to retirees	<u>(373,477)</u>
Net cash provided by operating activities	<u>404,288</u>
Cash flows from investing activities:	
Interest received on investments	<u>19,780</u>
Change in cash and cash equivalents	424,068
Cash and cash equivalents - beginning	<u>1,418,342</u>
Cash and cash equivalents - ending	<u><u>\$ 1,842,410</u></u>
Displayed on statement of fund net position as cash and investments	<u><u>\$ 1,842,410</u></u>
A reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 373,220
Decrease in district retirement benefit	(20,158)
Increase in net OPEB asset	<u>51,226</u>
Net cash provided by operating activities	<u><u>\$ 404,288</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 Education 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 6) 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, 2017, 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:

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

Unearned revenue – Unearned revenue for the District represents amounts received on grants whose purpose restrictions have not been met. Revenue is recognized on restricted grants only when all restrictions on those funds are satisfied.

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 the 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.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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 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:

- 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) changes of assumptions in the measurement of the net pension liability (asset), b) net difference between projected and actual earnings on pension plan investments, c) changes in proportion and differences between District contributions and proportionate share of contributions, and d) District contributions subsequent to the measurement date of December 31, 2016.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following sources that qualify for reporting in this category:

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.
- Property taxes levied for future year – property taxes levied on January 1, 2017 for the following school year.
- 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), c) net difference between projected and actual earnings on pension plan investments, and d) 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 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:

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

-
- **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 for community recreation programs.
 - d) The District has committed other governmental fund resources to the Murray Education Foundation to be used for fund raising, operations, schools, and other purposes.
 - e) The District has committed other governmental fund resources to support District student activities at schools including athletics, textbooks, field trips, music programs, book fairs, and school plays.
 - **Unassigned** – Residual balances in the *general fund* are classified as unassigned.

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- 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 90 days or less. The PTIF is not rated. The fair value of the position in the pool is the same as the 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, 2017, as shown on the financial statements, is as follows:

Carrying amount of deposits	\$ 1,019,307
Carrying amount of investments	38,187,160
Total deposits and investments	<u>\$ 39,206,467</u>
Cash and investments - governmental funds, balance sheet	\$ 37,364,057
Cash and investments - internal service funds, statement of fund net position	1,842,410
Total cash and investments	<u>\$ 39,206,467</u>

Deposits – At June 30, 2017, the District and Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Murray City School District	\$ 754,411	\$ 1,434,392	\$ 250,000
Murray Education Foundation	264,896	276,896	250,000
	<u>\$ 1,019,307</u>	<u>\$ 1,711,288</u>	<u>\$ 500,000</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, 2017, the District's bank deposits were uncollateralized nor is it required by law.

Investments – At June 30, 2017, 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)	\$ 33,554,198	\$ 33,554,198	\$ -	\$ -	\$ -
Corporate Bonds	3,837,305	-	-	-	3,837,305
Murray Education Foundation:					
Utah Public Treasurers' Investment Fund (PTIF)	277,966	277,966	-	-	-
U.S. Treasury Securities	17,691	-	-	-	17,691
Corporate Bonds	500,000	-	-	-	500,000
Total investments	\$ 38,187,160	\$ 33,832,164	\$ -	\$ -	\$ 4,354,996

- 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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.

- Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices. As of June 30, 2017, 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

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, 2017:

- Corporate bonds of \$3,837,305 are valued using a matrix pricing model (Level 2 inputs).
- Utah Public Treasurers' Investment Fund position of \$33,554,198, 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, 2017:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- U.S. Treasury securities of \$17,691 are valued using quoted market prices (Level 2 inputs).
- Corporate bonds of \$500,000 are valued using a matrix pricing model (Level 2 inputs).
- Utah Public Treasurers' Investment Fund position of \$277,966, 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, 2017, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2017 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 to the redevelopment agencies.

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.

During the year ended June 30, 2017, incremental taxes levied by the District for the redevelopment agencies totaling \$1,567,262 were recorded as revenue with an equivalent amount of expenditure for community services in the other governmental funds (in the *pass-through taxes fund*).

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 17,741,806	\$ -	\$ -	\$ 17,741,806
Construction in progress	1,197,293	946,740	(2,144,033)	-
Total capital assets, not being depreciated	18,939,099	946,740	(2,144,033)	17,741,806
Capital assets, being depreciated:				
Buildings	100,506,205	2,144,033	-	102,650,238
Equipment	4,904,875	335,621	(71,103)	5,169,393
Total capital assets, being depreciated	105,411,080	2,479,654	(71,103)	107,819,631
Accumulated depreciation for:				
Buildings	(22,036,118)	(2,158,688)	-	(24,194,806)
Equipment	(3,313,737)	(326,051)	68,716	(3,571,072)
Total accumulated depreciation	(25,349,855)	(2,484,739)	68,716	(27,765,878)
Total capital assets being depreciated, net	80,061,225	(5,085)	(2,387)	80,053,753
Governmental activities capital assets, net	<u>\$ 99,000,324</u>	<u>\$ 941,655</u>	<u>\$ (2,146,420)</u>	<u>\$ 97,795,559</u>

For the year ended June 30, 2017, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 1,686,608
Supporting services:	
District administration	223,687
School administration	78,496
Central	34,098
Operation and maintenance of facilities	208,316
Student transportation	132,553
School lunch services	120,981
Total depreciation expense, governmental activities	<u>\$ 2,484,739</u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

District employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by the District as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

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 1.50% 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 first four years of employment. If an employee terminates prior to the vesting period, employer

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. 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, 2017, District required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates			District Rates for 401(k) Plan	Totals
	District Contribution	Amortization of UAAL *	Paid by District for Employee		
Tier 1 Noncontributory System	12.25%	9.94%	-	1.50%	23.69%
Tier 1 Contributory System	5.45%	12.25%	5.00%	-	22.70%
Tier 2 Contributory System **	8.30%	9.94%	-	1.78%	20.02%
Tier 2 Defined Contribution Plan **	0.08%	9.94%	-	10.00%	20.02%

* The District is required to contribute additional amounts based on covered-employee payroll to finance the unfunded actuarial accrued liability (UAAL) of the Tier 1 plans.

** District contribution includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans, up to applicable plan and Internal Revenue Code limits.

For the year ended June 30, 2017, District and employee contributions to the plans were as follows:

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 4,131,157	\$ -
Tier 1 Contributory System	22,796	505
Tier 2 Contributory System *	771,034	-
401(k) Plan	594,621	-

* Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2017, the District reported an asset of zero and a liability of \$23,142,771 for its proportionate share of the net pension liability (asset) for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 22,993,288
Tier 1 Contributory System	-	100,913
Tier 2 Contributory System	-	48,570
Total	<u>\$ -</u>	<u>\$ 23,142,771</u>

The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability was determined by an actuarial valuation as of January 1, 2016, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2016 and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2016	Change
Tier 1 Noncontributory System	0.7094686%	(0.0224271)%
Tier 1 Contributory System	0.1841626%	0.0302930%
Tier 2 Contributory System	0.4354118%	0.0551084%

For the year ended June 30, 2017, the District recognized pension expense of \$5,177,477 for the defined benefit pension plans and pension expense of \$594,621 for the defined contribution plans. At June 30, 2017, 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	\$ -	\$ 1,280,711
Changes of assumptions	2,469,328	289,610
Net difference between projected and actual earnings on pension plan investments	4,377,732	1,256,527
Changes in proportion and differences between contributions and proportionate share of contributions	34,806	562,221
District contributions subsequent to the measurement date	2,553,427	-
Total	<u>\$ 9,435,293</u>	<u>\$ 3,389,069</u>

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The \$9,435,293 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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:

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 1,036,862
2019	1,096,895
2020	1,537,315
2021	(194,483)
2022	1,325
Thereafter	14,883

Actuarial assumptions – The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35% to 10350%, average, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality tables or were developed from actual experience, 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, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date include adjustments for inflation, salary increases, payroll growth, post retirement mortality, preretirement mortality, and certain demographics to more closely reflect actual experience.

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	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.20%. 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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 42,158,610	\$ 22,993,288	\$ 6,930,877
Tier 1 Contributory System	248,093	100,913	(24,084)
Tier 2 Contributory System	330,599	48,570	(165,984)
Total	<u>\$ 42,737,302</u>	<u>\$ 23,142,771</u>	<u>\$ 6,740,809</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, 2017, the District reported payables of \$1,205,840 for contributions to defined benefit pension 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, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 40,640,000	\$ -	\$ (2,070,000)	\$ 38,570,000	\$ 2,155,000
Bond premium	2,884,939	-	(173,097)	2,711,842	-
Net general obligation bonds payable	43,524,939	-	(2,243,097)	41,281,842	2,155,000
Lease revenue bonds payable	7,000,000	-	(436,000)	6,564,000	441,000
Compensated absences payable	148,533	155,874	(148,533)	155,874	155,874
Early retirement benefits payable	1,301,519	320,256	(551,848)	1,069,927	554,516
Net pension liability	23,087,363	5,091,352	(5,035,944)	23,142,771	-
Total governmental activity long-term liabilities	<u>\$ 75,062,354</u>	<u>\$ 5,567,482</u>	<u>\$ (8,415,422)</u>	<u>\$ 72,214,414</u>	<u>\$ 3,306,390</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 bonds to the Building Authority from the *capital projects fund*. Compensated absences and early retirement benefits will be paid primarily from the *general fund*.

MURRAY CITY SCHOOL DISTRICT**Notes to Basic Financial Statements***Continued*

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, 2017, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,030,000	921,250	2,951,250
2023-2027	11,320,000	3,439,650	14,759,650
2028-2032	13,135,000	1,635,750	14,770,750
2033	2,870,000	86,100	2,956,100
Total	<u>\$ 38,570,000</u>	<u>\$ 10,924,450</u>	<u>\$ 49,494,450</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, 2017 is about \$195.6 million. Net general obligation debt at June 30, 2017 is \$41.3 million, resulting in a legal debt margin of about \$154.3 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, 2017, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
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	478,000	105,369	583,369
2023-2027	2,590,000	325,017	2,915,017
2028-2030	1,685,000	63,750	1,748,750
Total	<u>\$ 6,564,000</u>	<u>\$ 1,015,377</u>	<u>\$ 7,579,377</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 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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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 \$551,848 in direct payments to retirees under this option for the year ended June 30, 2017.

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, 2017 is estimated at \$298,864; 16 employees are eligible to receive these benefits. Amounts paid annually have approximated the average annual cost of the benefit. Amounts payable at June 30, 2017 totaled \$298,864. 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, 2017, the District’s annual OPEB cost (expense) was \$316,662.

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	\$ 308,796
Interest on net OPEB obligation	(11,857)
Adjustment to annual required contribution	19,723
Annual OPEB cost (expense)	316,662
Contributions made	(265,436)
Increase in net OPEB asset	51,226
Net OPEB asset - beginning	(296,416)
Net OPEB asset - ending	\$ (245,190)

The District’s annual OPEB 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
2017	\$ 316,662	\$ 265,436	83.8%	\$ (245,190)
2016	332,924	370,267	111.2%	(296,416)
2015	337,584	424,566	125.8%	(259,073)

Funded status and funding progress – The funded status of the plan as of June 30, 2017 is as follows:

Actuarial accrued liability (AAL)	\$ 4,462,446
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,462,446</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, 2016, 2014, and 2012, 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, 2016 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 8.4% initially, reduced by decrements to an ultimate rate of 4.0% after fifteen years. Both rates include a 2.3% inflation assumption. The actuarial value of assets was not determined as the District has not advance funded its obligation. The UAAL is being amortized as a level dollar amount over an open twenty-five year period.

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.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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, 2016	\$ -	\$ 4,462,446	\$ 4,462,446	0.0%	\$ -	0.0%
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%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:			
District's proportion of the net pension liability (asset)	0.7094686%	0.7318957%	0.7362124%
District's proportionate share of the net pension liability (asset)	\$ 22,993,288	\$ 22,990,940	\$ 18,497,548
District's covered-employee payroll	\$ 19,632,211	\$ 20,483,417	\$ 21,075,854
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117.1%	112.2%	87.8%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	84.5%	87.2%
Tier 1 Contributory System:			
District's proportion of the net pension liability (asset)	0.1841626%	0.1538696%	0.1306940%
District's proportionate share of the net pension liability (asset)	\$ 100,913	\$ 96,423	\$ 14,330
District's covered-employee payroll	\$ 49,369	\$ 48,743	\$ 47,918
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.4%	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	93.4%	92.4%	98.7%
Tier 2 Contributory System:			
District's proportion of the net pension liability (asset)	0.4355412%	0.3803034%	0.3684997%
District's proportionate share of the net pension liability (asset)	\$ 48,570	\$ (830)	\$ (11,167)
District's covered-employee payroll	\$ 3,570,717	\$ 2,456,032	\$ 1,804,057
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	100.2%	103.5%

These schedules are intended to present information for ten years; prior-year information is not available. Additional information will be displayed as it becomes available.

MURRAY SCHOOL DISTRICT
Schedules of District Contributions –
Utah Retirement Systems
Last Three Reporting Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:			
Contractually required contribution	\$ 4,131,157	\$ 4,311,968	\$ 4,337,622
Contributions in relation to the contractually required contribution	<u>(4,131,157)</u>	<u>(4,311,968)</u>	<u>(4,337,622)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 19,291,196	\$ 20,167,829	\$ 20,544,353
Contributions as a percentage of covered-employee payroll	21.4%	21.4%	21.1%
Tier 1 Contributory System:			
Contractually required contribution	\$ 22,796	\$ 8,665	\$ 8,363
Contributions in relation to the contractually required contribution	<u>(22,796)</u>	<u>(8,665)</u>	<u>(8,363)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 112,959	\$ 48,954	\$ 48,032
Contributions as a percentage of covered-employee payroll	20.2%	17.7%	17.4%
Tier 2 Contributory System:			
Contractually required contribution	\$ 771,034	\$ 545,882	\$ 389,494
Contributions in relation to the contractually required contribution	<u>(771,034)</u>	<u>(545,882)</u>	<u>(389,494)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,225,427	\$ 2,991,818	\$ 2,151,581
Contributions as a percentage of covered-employee payroll	18.2%	18.2%	18.1%

* These schedules are intended to present information for ten years; prior-year information is not available. Additional information will be displayed as it becomes available.

MURRAY CITY SCHOOL DISTRICT
Notes to Required Supplementary Information

A. CHANGES IN ASSUMPTIONS-UTAH RETIREMENT SYSTEMS

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

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 c) a slight increase in the expected age of retirement.

B. SCHEDULES OF DISTRICT CONTRIBUTIONS-UTAH RETIREMENT SYSTEMS

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. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

**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, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 15,074,608	\$ 15,591,759	\$ 517,151	\$ 15,137,038
Earnings on investments	53,089	128,291	75,202	69,374
Other local	1,858,103	1,593,311	(264,792)	1,705,920
State sources	25,508,289	24,318,745	(1,189,544)	23,248,802
Federal sources	2,200,121	2,312,229	112,108	2,178,252
Total revenues	44,694,210	43,944,335	(749,875)	42,339,386
Expenditures:				
Current:				
Salaries	27,209,665	25,901,809	1,307,856	25,201,092
Employee benefits	11,578,822	12,085,182	(506,360)	11,743,822
Purchased professional and technical services	623,329	620,148	3,181	466,203
Purchased property services	654,470	461,114	193,356	535,857
Other purchased services	413,380	309,378	104,002	338,478
Supplies	3,894,020	2,503,269	1,390,751	2,211,905
Property	191,790	524,119	(332,329)	486,900
Other objects	89,576	115,681	(26,105)	34,568
Total expenditures	44,655,052	42,520,700	2,134,352	41,018,825
Excess of revenues over expenditures / net change in fund balances	39,158	1,423,635	1,384,477	1,320,561
Fund balances - beginning	12,204,831	12,204,831	-	10,884,270
Fund balances - ending	<u>\$ 12,243,989</u>	<u>\$ 13,628,466</u>	<u>\$ 1,384,477</u>	<u>\$ 12,204,831</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 3,519,500	\$ 3,917,793	\$ 398,293	\$ 3,923,029
Earnings on investments	10,000	24,880	14,880	15,494
Total revenues	3,529,500	3,942,673	413,173	3,938,523
Expenditures:				
Principal retirement	2,070,000	2,070,000	-	2,025,000
Interest and other charges	1,459,500	1,448,242	11,258	1,498,135
Total expenditures	3,529,500	3,518,242	11,258	3,523,135
Excess of revenues over expenditures / net change in fund balances	-	424,431	424,431	415,388
Fund balances - beginning	2,724,554	2,724,554	-	2,309,166
Fund balances - ending	<u>\$ 2,724,554</u>	<u>\$ 3,148,985</u>	<u>\$ 424,431</u>	<u>\$ 2,724,554</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 4,160,077	\$ 3,911,029	\$ (249,048)	\$ 4,310,926
Earnings on investments	100,927	258,973	158,046	140,756
Other local	-	-	-	13,154
State sources	1,024,500	24,685	(999,815)	-
Federal sources	-	994,302	994,302	923,167
Total revenues	<u>5,285,504</u>	<u>5,188,989</u>	<u>(96,515)</u>	<u>5,388,003</u>
Expenditures:				
Current:				
Purchased professional and technical services	1,261,000	197,837	1,063,163	3,862,659
Purchased property services	1,277,321	1,131,108	146,213	2,198,806
Supplies	440,000	333,069	106,931	358,037
Property	1,760,515	1,045,876	714,639	1,209,668
Debt service:				
Principal retirement	-	436,000	(436,000)	-
Interest and other charges	-	147,487	(147,487)	147,549
Total expenditures	<u>4,738,836</u>	<u>3,291,377</u>	<u>1,447,459</u>	<u>7,776,719</u>
Excess (deficiency) of revenues over (under)				
expenditures / net change in fund balances	546,668	1,897,612	1,350,944	(2,388,716)
Fund balances - beginning	<u>10,501,243</u>	<u>10,501,243</u>	<u>-</u>	<u>12,889,959</u>
Fund balances - ending	<u>\$ 11,047,911</u>	<u>\$ 12,398,855</u>	<u>\$ 1,350,944</u>	<u>\$ 10,501,243</u>

MURRAY CITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue					Total
	Non K-12	School	Murray	Student	Pass-Through	Nonmajor
	Programs	Lunch	Education	Activities	Taxes	Governmental
			Foundation			Funds
Assets:						
Cash and investments	\$ 239,598	\$ 736,969	\$ 1,061,696	\$ 1,106,675	\$ -	\$ 3,144,938
Receivables:						
Property taxes	-	-	-	-	2,018,561	2,018,561
Other local	-	25,221	-	-	-	25,221
State of Utah	-	168,381	-	-	-	168,381
Federal government	5,218	11,062	-	-	-	16,280
Total assets	<u>\$ 244,816</u>	<u>\$ 941,633</u>	<u>\$ 1,061,696</u>	<u>\$ 1,106,675</u>	<u>\$ 2,018,561</u>	<u>\$ 5,373,381</u>
Liabilities:						
Accounts payable	\$ 4,920	\$ 14,986	\$ -	\$ 138	\$ -	\$ 20,044
Accrued salaries and benefits	27,623	9,605	-	-	-	37,228
Unearned revenue:						
Other local	-	80,738	-	-	-	80,738
State of Utah	13,970	-	-	-	-	13,970
Federal government	41,412	-	-	-	-	41,412
Total liabilities	<u>87,925</u>	<u>105,329</u>	<u>-</u>	<u>138</u>	<u>-</u>	<u>193,392</u>
Deferred inflows of resources:						
Property taxes levied for future years	-	-	-	-	2,018,561	2,018,561
Fund balances:						
Restricted for:						
School lunch services	-	836,304	-	-	-	836,304
Committed to:						
Community recreation	156,891	-	-	-	-	156,891
Foundation programs	-	-	1,061,696	-	-	1,061,696
Student activities	-	-	-	1,106,537	-	1,106,537
Total fund balances	<u>156,891</u>	<u>836,304</u>	<u>1,061,696</u>	<u>1,106,537</u>	<u>-</u>	<u>3,161,428</u>
Total liabilities and fund balances	<u>\$ 244,816</u>	<u>\$ 941,633</u>	<u>\$ 1,061,696</u>	<u>\$ 1,106,675</u>	<u>\$ 2,018,561</u>	<u>\$ 5,373,381</u>

MURRAY CITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue					Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	Pass-Through Taxes	
Revenues:						
Local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,567,262	\$ 1,567,262
Earnings on investments	-	15,241	9,993	-	-	25,234
Lunch sales	-	675,028	-	-	-	675,028
Other local	319,049	18,808	127,371	1,810,339	-	2,275,567
State sources	279,618	406,828	-	-	-	686,446
Federal sources	112,270	1,315,297	-	-	-	1,427,567
Total revenues	710,937	2,431,202	137,364	1,810,339	1,567,262	6,657,104
Expenditures:						
Current:						
Instruction	342,723	-	104,244	1,746,742	-	2,193,709
Supporting services:						
School administration	44	-	-	-	-	44
Operation and maintenance of facilities	12,572	-	-	-	-	12,572
School lunch services	-	2,165,887	-	-	-	2,165,887
Community services	361,193	56	-	-	1,567,262	1,928,511
Total expenditures	716,532	2,165,943	104,244	1,746,742	1,567,262	6,300,723
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(5,595)	265,259	33,120	63,597	-	356,381
Fund balances - beginning	162,486	571,045	1,028,576	1,042,940	-	2,805,047
Fund balances - ending	\$ 156,891	\$ 836,304	\$ 1,061,696	\$ 1,106,537	\$ -	\$ 3,161,428

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, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ 3,205
Other local	408,000	319,049	(88,951)	363,669
State sources	310,132	279,618	(30,514)	329,848
Federal sources	77,417	112,270	34,853	80,413
Total revenues	795,549	710,937	(84,612)	777,135
Expenditures:				
Current:				
Salaries	449,965	446,779	3,186	423,760
Employee benefits	157,107	142,797	14,310	138,157
Purchased services	132,570	49,167	83,403	129,277
Supplies	73,236	62,928	10,308	79,612
Property	1,394	2,700	(1,306)	5,633
Other objects	34,780	12,161	22,619	20,995
Total expenditures	849,052	716,532	132,520	797,434
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(53,503)	(5,595)	47,908	(20,299)
Fund balances - beginning	162,486	162,486	-	182,785
Fund balances - ending	\$ 108,983	\$ 156,891	\$ 47,908	\$ 162,486

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, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Lunch sales	\$ 612,000	\$ 675,028	\$ 63,028	\$ 583,840
Earnings on investments	3,000	15,241	12,241	5,201
Other local	14,300	18,808	4,508	18,297
State sources	400,000	406,828	6,828	377,429
Federal sources	1,349,250	1,315,297	(33,953)	1,265,156
Total revenues	<u>2,378,550</u>	<u>2,431,202</u>	<u>52,652</u>	<u>2,249,923</u>
Expenditures:				
Current:				
Salaries	728,726	697,063	31,663	676,046
Benefits	275,835	265,273	10,562	243,315
Purchased services	32,562	20,535	12,027	26,259
Supplies	1,378,449	1,159,051	219,398	1,209,938
Property	10,000	24,021	(14,021)	578
Other objects	-	-	-	56,365
Total expenditures	<u>2,425,572</u>	<u>2,165,943</u>	<u>259,629</u>	<u>2,212,501</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(47,022)	265,259	312,281	37,422
Fund balances - beginning	<u>571,045</u>	<u>571,045</u>	<u>-</u>	<u>533,623</u>
Fund balances - ending	<u><u>\$ 524,023</u></u>	<u><u>\$ 836,304</u></u>	<u><u>\$ 312,281</u></u>	<u><u>\$ 571,045</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, 2017
With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
Local sources:		
Contributions	\$ 127,371	\$ 193,791
Earnings on investments	<u>9,993</u>	<u>5,680</u>
Total revenues	<u>137,364</u>	<u>199,471</u>
Expenditures:		
Current:		
Instruction	<u>104,244</u>	<u>176,413</u>
Excess of revenues over expenditures / net change in fund balances	33,120	23,058
Fund balances - beginning	<u>1,028,576</u>	<u>1,005,518</u>
Fund balances - ending	<u><u>\$ 1,061,696</u></u>	<u><u>\$ 1,028,576</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activities
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Other local	\$ 1,900,000	\$ 1,810,339	\$ (89,661)	\$ 1,622,514
Expenditures:				
Current:				
Purchased services	350,000	504,306	(154,306)	278,654
Supplies	1,155,000	624,930	530,070	877,991
Property	70,000	53,942	16,058	36,288
Other objects	325,000	563,564	(238,564)	263,176
Total expenditures	<u>1,900,000</u>	<u>1,746,742</u>	<u>153,258</u>	<u>1,456,109</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	63,597	(242,919)	166,405
Fund balances - beginning	<u>1,042,940</u>	<u>1,042,940</u>	<u>-</u>	<u>876,535</u>
Fund balances - ending	<u><u>\$ 1,042,940</u></u>	<u><u>\$ 1,106,537</u></u>	<u><u>\$ (242,919)</u></u>	<u><u>\$ 1,042,940</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Pass-Through Taxes
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 1,867,806	\$ 1,567,262	\$ (300,544)	\$ 1,572,249
Expenditures:				
Other objects	1,867,806	1,567,262	300,544	1,572,249
Excess of revenues over expenditures / net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
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, 2017 through 2013

	2017	2016	2015	2014	2013
Assets:					
Cash and investments	\$ 39,206,467	\$ 33,399,291	\$ 37,560,982	\$ 46,640,295	\$ 62,137,028
Receivables:					
Property taxes	24,163,178	23,396,278	21,295,069	19,404,912	19,495,080
Other local	25,221	35,304	139,808	443,772	15,785
State of Utah	474,610	185,324	243,508	264,120	182,974
Federal government	1,232,868	1,983,737	729,508	2,134,672	2,011,923
Prepaid items	-	-	-	-	48,840
Inventories	675,329	503,966	738,547	618,420	588,061
Net OPEB asset	245,190	296,416	259,073	172,091	85,010
Net pension asset	-	830	11,167	-	-
Capital assets:					
Land and construction in progress	17,741,806	18,939,099	56,137,065	37,658,593	22,137,243
Buildings and equipment, net of accumulated depreciation	80,053,753	80,061,225	39,668,319	39,368,447	37,004,057
Total assets	<u>163,818,422</u>	<u>158,801,470</u>	<u>156,783,046</u>	<u>146,705,322</u>	<u>143,706,001</u>
Deferred outflows of resources:					
Deferred amounts on refundings	407,111	444,506	481,902	519,297	556,692
Related to pensions	9,435,293	8,517,914	2,762,584	-	-
Total deferred outflows of resources	<u>9,842,404</u>	<u>8,962,420</u>	<u>3,244,486</u>	<u>519,297</u>	<u>556,692</u>
Liabilities:					
Accounts payable	535,555	375,991	3,894,509	5,721,578	4,331,581
Accrued interest	584,628	619,798	660,735	681,146	718,313
Accrued salaries and benefits	4,787,558	4,671,164	5,057,777	3,353,008	3,199,843
Unearned revenue:					
Other local	115,950	106,203	58,498	63,719	63,615
State of Utah	2,108,820	1,570,175	857,831	465,884	849,335
Federal government	49,093	40,538	47,198	39,745	38,302
Noncurrent liabilities:					
Due and payable within one year	3,306,390	2,218,533	2,644,432	2,500,370	2,045,843
Due and payable after one year	68,908,024	72,843,821	69,722,084	46,317,334	48,262,636
Total liabilities	<u>80,396,018</u>	<u>82,446,223</u>	<u>82,943,064</u>	<u>59,142,784</u>	<u>59,509,468</u>
Deferred inflows of resources:					
Property taxes levied for future year	23,842,069	22,965,176	20,998,960	19,088,560	19,076,712
Related to pensions	3,389,069	2,386,396	1,737,631	-	-
Total deferred outflows of resources	<u>27,231,138</u>	<u>25,351,572</u>	<u>22,736,591</u>	<u>19,088,560</u>	<u>19,076,712</u>
Net position:					
Net investment in capital assets	50,356,832	48,919,895	48,136,484	40,978,902	37,618,325
Restricted for:					
Debt service	2,639,637	2,189,891	1,715,988	1,333,152	1,192,106
Capital projects	12,456,672	10,516,767	8,353,011	14,305,642	14,347,405
School lunch services	836,304	571,045	533,623	400,844	552,778
Unrestricted	(255,775)	(2,231,503)	(4,391,229)	11,974,735	11,965,899
Total net position	<u>\$ 66,033,670</u>	<u>\$ 59,966,095</u>	<u>\$ 54,347,877</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</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, 2017 through 2013

	2017	2016	2015	2014	2013
Expenses:					
Instruction	\$ 32,430,681	\$ 32,176,391	\$ 30,548,060	\$ 31,777,260	\$ 30,043,867
Supporting services:					
Student	2,190,849	1,990,083	1,837,703	2,050,234	2,044,784
Instructional staff	1,228,378	1,200,999	1,263,491	1,238,961	1,440,676
General administration	1,218,070	1,411,449	852,698	826,392	1,157,888
School administration	2,853,444	2,651,626	2,538,263	2,615,622	2,527,867
Central	1,876,871	1,707,696	1,480,253	1,812,860	1,525,412
Operation and maintenance of facilities	4,509,905	4,130,799	4,074,009	4,368,676	4,218,582
Student transportation	1,162,782	1,045,555	1,038,743	1,191,137	955,311
School lunch services	2,290,196	2,286,043	1,827,757	2,121,428	2,460,235
Community services	2,516,963	2,555,574	2,424,603	876,442	863,161
Interest on long-term liabilities	1,424,857	1,469,046	1,502,680	1,508,077	1,309,671
Total school district	<u>53,702,996</u>	<u>52,625,261</u>	<u>49,388,260</u>	<u>50,387,089</u>	<u>48,547,454</u>
Program revenues:					
Instruction	9,419,031	8,759,257	7,619,078	9,115,328	7,875,378
Supporting services:					
Student	586,235	419,119	504,785	506,974	572,124
Instructional staff	278,549	237,677	273,959	239,865	214,581
General administration	263,039	195,856	120,730	144,996	196,136
School administration	1,225	1,236	91	1,142	2,584
Central	590	371	-	283	473
Operation and maintenance of facilities	59,705	65,005	74,762	72,865	68,911
Student transportation	404,415	407,035	367,727	289,015	423,519
School lunch services	2,415,906	2,244,722	2,077,146	2,113,306	2,173,814
Community services	556,158	544,584	525,789	555,573	541,707
Total program revenues	<u>13,984,853</u>	<u>12,874,862</u>	<u>11,564,067</u>	<u>13,039,347</u>	<u>12,069,227</u>
Net (expense) revenue	<u>(39,718,143)</u>	<u>(39,750,399)</u>	<u>(37,824,193)</u>	<u>(37,347,742)</u>	<u>(36,478,227)</u>
General revenues:					
Property taxes	25,005,533	25,089,613	21,799,930	20,051,978	18,002,328
Federal and state aid not restricted to specific purposes	18,878,057	18,403,773	18,700,055	17,865,935	17,245,373
Earnings on investments	457,102	249,614	198,425	464,706	444,239
Miscellaneous	1,445,026	1,625,617	1,467,756	2,281,885	1,825,395
Total general revenues	<u>45,785,718</u>	<u>45,368,617</u>	<u>42,166,166</u>	<u>40,664,504</u>	<u>37,517,335</u>
Change in net position	6,067,575	5,618,218	4,341,973	3,316,762	1,039,108
Net position - beginning	<u>59,966,095</u>	<u>54,347,877</u>	<u>50,005,904</u>	<u>65,676,513</u>	<u>64,637,405</u>
Net position - ending	<u>\$ 66,033,670</u>	<u>\$ 59,966,095</u>	<u>\$ 54,347,877</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</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, 2017 through 2013

	2017	2016	2015	2014	2013
Assets:					
Cash and investments	\$ 18,611,032	\$ 16,039,637	\$ 15,433,095	\$ 13,004,429	\$ 13,525,934
Accounts receivable:					
Property taxes	15,710,095	16,676,650	15,424,736	12,228,568	12,353,750
Other local	-	17,090	106,555	417,273	2,215
State sources	306,229	35,943	149,154	115,516	33,589
Federal sources	1,216,588	1,920,859	665,967	2,066,103	1,948,251
Inventories	675,329	503,966	738,547	618,420	588,061
Total assets	<u>\$ 36,519,273</u>	<u>\$ 35,194,145</u>	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>
Liabilities:					
Accounts payable	\$ 182,869	\$ 56,229	\$ 274,946	\$ 2,438,769	\$ 2,248,809
Accrued salaries and benefits	4,750,330	4,638,751	5,029,791	3,353,008	3,199,843
Unearned revenue:					
Other local	35,212	30,188	20,819	19,155	16,179
State sources	2,094,850	1,559,328	845,423	463,485	842,883
Federal sources	7,681	2,540	2,135	1,935	3,480
Total liabilities	<u>7,070,942</u>	<u>6,287,036</u>	<u>6,173,114</u>	<u>6,276,352</u>	<u>6,311,194</u>
Deferred inflows of resources:					
Unavailable property tax revenue	324,247	338,995	227,590	275,543	321,351
Property taxes levied for future year	15,495,618	16,363,283	15,233,080	12,010,486	12,049,626
Total deferred inflows of resources	<u>15,819,865</u>	<u>16,702,278</u>	<u>15,460,670</u>	<u>12,286,029</u>	<u>12,370,977</u>
Fund balances:					
Nonspendable:					
Inventories	675,329	503,966	738,547	618,420	588,061
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	5,714,779	4,462,507	2,907,365	2,031,150	1,943,210
Total fund balances	<u>13,628,466</u>	<u>12,204,831</u>	<u>10,884,270</u>	<u>9,887,928</u>	<u>9,769,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,519,273</u>	<u>\$ 35,194,145</u>	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>

MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2017 through 2013 with Proposed Budget for 2018

	Proposed Budget 2018	2017	2016	2015	2014	2013
Revenues:						
Property taxes	\$ 16,267,457	\$ 15,591,759	\$ 15,137,038	\$ 13,085,134	\$ 13,072,096	\$ 12,704,863
Earnings on investments	53,089	128,291	69,374	46,091	221,667	180,993
Other local	1,655,497	1,593,311	1,705,920	1,103,353	1,815,282	1,582,864
State sources	26,606,741	24,318,745	23,248,802	23,464,081	23,424,024	22,345,426
Federal sources	2,187,949	2,312,229	2,178,252	2,036,473	2,140,924	2,049,985
Total revenues	46,770,733	43,944,335	42,339,386	39,735,132	40,673,993	38,864,131
Expenditures:						
Current:						
Instruction	30,334,864	28,588,718	26,908,029	26,021,870	26,681,479	25,117,465
Support services:						
Student	2,655,872	2,180,109	2,017,310	1,910,815	2,048,427	2,043,406
Instructional staff	1,735,905	1,221,113	1,212,529	1,305,622	1,238,961	1,433,949
General administration	1,248,174	987,661	1,413,897	772,274	814,176	827,656
School administration	3,101,126	2,764,263	2,636,419	2,598,100	2,570,701	2,479,157
Central	1,661,523	1,600,524	1,532,158	1,363,418	1,611,790	1,190,811
Operation and maintenance of facilities	4,374,506	3,726,625	3,500,308	3,498,596	3,738,893	3,573,033
Student transportation	876,146	865,633	786,629	789,440	951,224	833,039
Community services	584,265	586,054	541,011	478,655	517,905	498,132
Capital outlay	315,626	-	470,535	-	382,138	-
Total expenditures	46,888,007	42,520,700	41,018,825	38,738,790	40,555,694	37,996,648
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(117,274)	1,423,635	1,320,561	996,342	118,299	867,483
Fund balances - beginning	13,628,466	12,204,831	10,884,270	9,887,928	9,769,629	8,902,146
Fund balances - ending	<u>\$ 13,511,192</u>	<u>\$ 13,628,466</u>	<u>\$ 12,204,831</u>	<u>\$ 10,884,270</u>	<u>\$ 9,887,928</u>	<u>\$ 9,769,629</u>

Source: District records

MURRAY CITY SCHOOL DISTRICT
HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY

Tax (Calendar) Years 2016 through 2012

	2016		2015	2014	2013	2012
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by state tax commission-centrally assessed	\$ 48,818,339	1.3 %	\$ 42,490,546	\$ 42,490,546	\$ 43,924,492	\$ 42,576,654
Set by county assessor-locally assessed						
Real property:						
Primary residential	1,551,738,071	42.3	1,447,157,492	1,373,960,677	1,269,724,702	1,206,067,631
Other residential	25,210,470	0.7	23,600,990	23,322,500	22,821,670	22,431,230
Commercial and industrial	1,710,378,590	46.7	1,526,082,590	1,435,243,980	1,401,848,820	1,374,324,080
Agriculture buildings	12,420	0.0	10,480	9,510	9,010	106,660
Unimproved non FAA	5,700	0.0	6,110	6,240	6,670	6,510
Total real property	3,287,345,251	89.7	2,996,857,662	2,832,542,907	2,694,410,872	2,602,936,111
Personal property:						
Primary mobile homes	5,108,191	0.1	5,120,520	5,159,803	5,349,989	5,557,163
Secondary mobile homes	134,443	0.0	103,088	75,225	113,647	147,575
Other business personal	223,028,985	6.1	210,961,992	211,786,307	211,233,953	207,929,139
SCME	49,853	0.0	63,608	-	-	-
Total personal property	228,321,472	6.2	216,249,208	217,021,335	216,697,589	213,633,877
Fee in lieu property	100,494,886	2.7	96,478,395	88,985,799	91,810,534	89,306,352
Total locally assessed	3,616,161,609	98.7	3,309,585,265	3,138,550,041	3,002,918,995	2,905,876,340
Total taxable value (TV)	\$ 3,664,979,948	100.0 %	\$ 3,352,075,811	\$ 3,181,040,587	\$ 3,046,843,487	\$ 2,948,452,994
Total taxable value (less fee in lieu)	\$ 3,564,485,062		\$ 3,255,597,416	\$ 3,092,054,788	\$ 2,955,032,953	\$ 2,859,146,642

Source: Property Tax Division, Utah State Tax Commission

MURRAY CITY SCHOOL DISTRICT
TAX RATES AND COLLECTIONS

Years Ended June 30, 2017 through 2013 with Proposed Budget for 2018

	Proposed Budget											
	2018		2017		2016		2015		2014		2013	
	Tax Rate	Budgeted Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
General fund:												
Basic levy	0.001568	\$ 5,726,283	0.001675	\$ 2,882,479	0.001736	\$ 5,611,432	0.001419	\$ 4,318,543	0.001535	\$ 4,540,488	0.001651	\$ 4,758,747
Voted local levy	0.001786	6,522,412	0.007860	13,526,145	0.001697	5,485,369	0.001786	5,435,460	0.001756	5,194,201	0.001786	5,147,862
Board local levy	0.000992	3,622,751	0.000927	1,595,259	0.001249	4,037,257	0.001097	3,338,578	0.001123	3,337,407	0.000892	2,571,049
Charter school levy	0.000055	200,858	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-
Total general fund	0.004401	16,072,304	0.010462	18,003,883	0.004682	15,134,058	0.004302	13,092,581	0.004414	13,072,096	0.004329	12,477,658
Debt service fund:												
Debt service	0.001009	3,684,834	0.001102	1,896,414	0.001211	3,914,426	0.001277	3,870,873	0.001307	3,866,071	0.000841	2,424,049
Capital projects fund:												
Capital local	0.000775	2,830,274	0.000201	345,898	0.000593	1,916,808	0.000667	2,029,928	0.000682	2,017,247	0.000711	2,049,345
Capital outlay equalized	0.000000	-	0.000600	3,174,385	0.000600	2,405,701	0.000600	1,281,290	0.000600	1,148,929	0.000600	1,110,856
Total capital projects fund	0.000775	2,830,274	0.000801	3,520,283	0.001193	4,322,509	0.001267	3,311,218	0.001282	3,166,176	0.001311	3,160,201
Total tax rate / collections	0.006185	\$ 22,587,412	0.012365	\$ 23,420,580	0.007086	\$ 23,370,993	0.006846	\$ 20,290,184	0.007003	\$ 20,088,831	0.006481	\$ 18,061,908

Notes:

Tax rates are levied for the calendar year. This schedule reports collections for fiscal years ended June 30. For example, calendar year 2016 tax rates are for the District's fiscal year ended June 30, 2017. 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 and remitted directly to the redevelopment agencies for redevelopment projects.