

**MURRAY CITY SCHOOL DISTRICT**

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

Year Ended June 30, 2014

# MURRAY CITY SCHOOL DISTRICT

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## **FINANCIAL SECTION**



## Independent Auditor's Report

Board of Education  
Murray City School District

### **Report on the Basic Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District (the District) as of and for the year ended June 30, 2014, 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, 2014, 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 and the schedule of funding progress – other postemployment benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Squire + Company, PC*

Orem, Utah  
November 25, 2014

## 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, 2014.

### Financial Highlights

- The District's total net position was \$69.0 million at the close of the most recent year.
- During 2014, the District's expenses were \$3.3 million less than the \$53.7 million generated in taxes and other revenues for governmental activities. This increase in net position is more than the prior year when expenses were less than revenues by \$1.1 million.
- Various District construction projects underway at June 30, 2014 are projected at a total cost of \$33.2 million. The largest project is Hillcrest Jr. High School with an estimated cost of \$30.1 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 seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each governmental fund is provided in the form of *combining and individual statements and schedules* section of this report.

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

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

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

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

**Notes to the basic financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 36 of this report.

**Supplementary information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligations to provide other postemployment benefits to its employees and retirees. Required supplementary information can be found on page 37 of this report.

The combining and individual statements and schedules referred to earlier in connection with governmental funds can be found on pages 38 through 46 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 47 through 52 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 \$69.0 million at the close of the most recent fiscal year.

### MURRAY CITY SCHOOL DISTRICT'S Net Position

(in millions of dollars)

June 30, 2014 and 2013

	Governmental activities		Total change
	2014	2013	2014-2013
Current and other assets	\$ 69.7	\$ 84.6	\$ (14.9)
Capital assets	77.0	59.1	17.9
Total assets	146.7	143.7	3.0
Deferred outflows of resources	0.5	0.6	(0.1)
Current and other liabilities	10.3	9.2	1.1
Long-term liabilities outstanding	48.8	50.3	(1.5)
Total liabilities	59.1	59.5	(0.4)
Deferred inflows of resources	19.1	19.1	-
Net position:			
Net investment in capital assets	41.0	37.6	3.4
Restricted	16.0	16.1	(0.1)
Unrestricted	12.0	12.0	-
Total net position	\$ 69.0	\$ 65.7	\$ 3.3

- The largest portion of the District's net position (59.4%) 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 (23.2%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of net position (17.4%) is unrestricted and may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

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

The District's net position increased by \$3.3 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

**Governmental activities** – The key elements of the increase of the District’s net position for the year ended June 30, 2014 are as follows:

**MURRAY CITY SCHOOL DISTRICT'S Changes in Net Position**

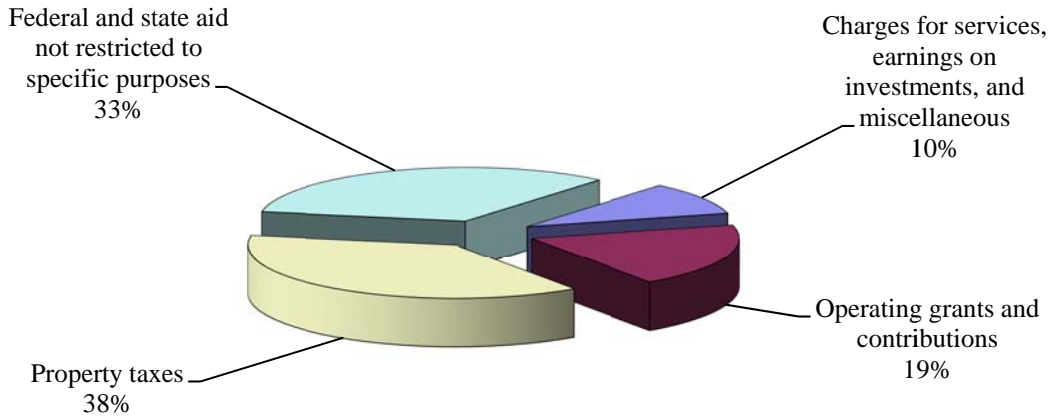
(in millions of dollars)

Years Ended June 30, 2014 and 2013

	Governmental activities		Total change
	2014	2013	2014-2013
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2.7	\$ 3.1	\$ (0.4)
Operating grants and contributions	10.4	9.0	1.4
General revenues:			
Property taxes	20.1	18.0	2.1
Federal and state aid not restricted to specific purposes	17.9	17.2	0.7
Earnings on investments	0.4	0.4	-
Miscellaneous	2.2	1.8	0.4
Total revenues	53.7	49.5	4.2
<b>Expenses:</b>			
Instruction	31.8	30.0	1.8
Supporting services:			
Students	2.1	2.0	0.1
Instructional staff	1.2	1.4	(0.2)
General administration	0.8	1.1	(0.3)
School administration	2.6	2.5	0.1
Central	1.8	1.5	0.3
Operation and maintenance of facilities	4.4	4.2	0.2
Student transportation	1.2	1.0	0.2
School lunch services	2.1	2.5	(0.4)
Community services	0.9	0.9	-
Interest on long-term liabilities	1.5	1.3	0.2
Total expenses	50.4	48.4	2.0
<b>Change in net position</b>	3.3	1.1	2.2
<b>Net position - beginning</b>	65.7	64.6	1.1
<b>Net position - ending</b>	\$ 69.0	\$ 65.7	\$ 3.3

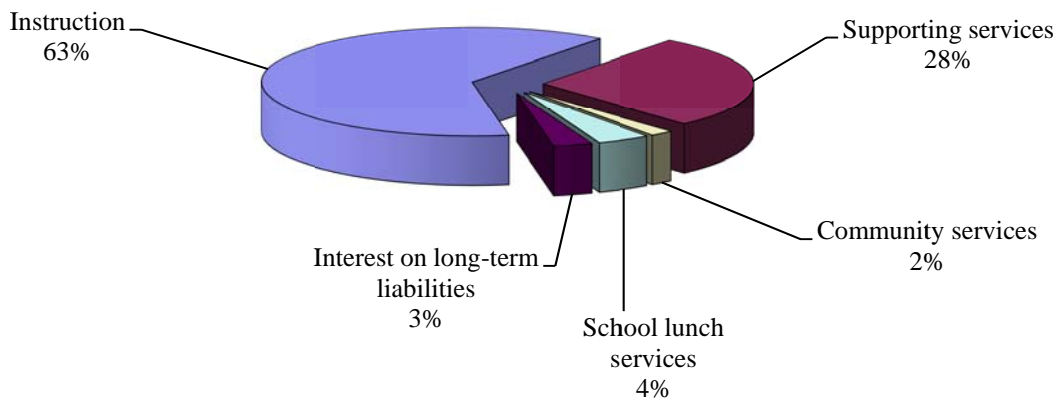
- State aid increased by \$1.1 million. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that, if local 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 2.0% during the year ended June 30, 2014 (\$2,899 during 2014 as compared to \$2,842 in 2013).
- Property tax revenue increased by \$2.1 million primarily due to increased property tax rates.

**Murray City School District  
Revenue by Source - Governmental Activities  
Year Ended June 30, 2014**



- Instruction represents the largest dollar portion of expenses of \$31.8 million primarily for teacher salaries and related benefits.

**Murray City School District  
Expenses by Function - Governmental Activities  
Year Ended June 30, 2014**



## 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 \$39.8 million, \$16.0 million less than the previous year primarily due to construction projects during the year. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$40.6 million, an increase of 6.7% during the current fiscal year. This compares to a 2.5% increase in 2013. Instruction represents 65.8% of *general fund* expenditures.
- *General fund* salaries totaled \$24.6 million while the associated employee benefits of retirement, social security, and insurance added \$11.2 million to arrive at 88.1% of total *general fund* expenditures. This compares to 90.6% in 2013.
- The *capital projects fund* balance decreased by \$16.5 million primarily due to construction projects.

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, 2014, the District's combined governmental fund balance is \$39.8 million (\$0.6 million in nonspendable, \$27.9 million in restricted, \$9.3 million in committed, and \$2.0 million in unassigned fund balances).

### General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.3 million or 0.9% in total *general fund* revenues to account for anticipated decreases in property tax collections and increases in state and federal revenues.

Actual expenditures were \$0.7 million less than final budgeted amounts. The most significant positive variance was \$0.5 million in instructional staff. Conversely, revenues were \$0.3 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, 2014 amounts to \$77.0 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, and equipment. The total increase in capital assets for the current year was \$17.9 million or 30.3% primarily due to construction projects.

Capital assets at June 30, 2014 and 2013 are outlined below:

**MURRAY CITY SCHOOL DISTRICT'S Capital Assets**  
(net of accumulated depreciation, in millions of dollars)  
June 30, 2014 and 2013

	Governmental activities		Total
	2014	2013	change 2014-2013
Land	\$ 17.7	\$ 17.7	\$ -
Construction in progress	19.9	4.4	15.5
Buildings	38.0	35.7	2.3
Equipment	1.4	1.3	0.1
Total capital assets	<u>\$ 77.0</u>	<u>\$ 59.1</u>	<u>\$ 17.9</u>

The cost of various District construction projects underway at June 30, 2014 are projected at a total cost of \$33.2 million. The largest project is Hillcrest Jr. High School with an estimated cost of \$30.1 million.

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

**Debt administration** – At the end of the current year, the District had total bonded debt outstanding of \$47.8 million (net of unamortized amounts for bond issuance premiums). Payment is backed by the full faith and credit of the District as well as the State of Utah under provisions of The Guaranty Act. The District's total debt decreased by \$2.0 million. This decrease was a result of the principal payments on the outstanding bonds.

**MURRAY CITY SCHOOL DISTRICT'S Outstanding Debt**  
(net of accumulated amortization, in millions of dollars)  
June 30, 2014 and 2013

	Governmental activities		Total
	2014	2013	change 2014-2013
Net general obligation bonds	<u>\$ 47.8</u>	<u>\$ 49.8</u>	<u>\$ (2.0)</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2014 is \$161.8 million. Net general obligation debt at June 30, 2014 is \$47.8 million, resulting in a legal debt margin of \$114.0 million.

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

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

**Requests for Information**

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

## **Basic Financial Statements**

**MURRAY CITY SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 46,640,295
Receivables:	
Property taxes	19,404,912
Other local	443,772
State of Utah	264,120
Federal government	2,134,672
Inventories	618,420
Net OPEB asset	172,091
Capital assets:	
Land and construction in progress	37,658,593
Buildings and equipment, net of accumulated depreciation	39,368,447
Total assets	146,705,322
<b>Deferred outflows of resources:</b>	
Deferred amounts on refunding	519,297
<b>Liabilities:</b>	
Accounts payable	5,721,578
Accrued interest	681,146
Accrued salaries and benefits	3,353,008
Unearned revenue:	
Local	63,719
State of Utah	465,884
Federal government	39,745
Noncurrent liabilities:	
Due and payable within one year	2,500,370
Due and payable after one year	46,317,334
Total liabilities	59,142,784
<b>Deferred inflows of resources:</b>	
Property taxes levied for future year	19,088,560
<b>Net position:</b>	
Net investment in capital assets	40,978,902
Restricted for:	
Debt service	1,333,152
Capital projects	14,305,642
School lunch services	400,844
Unrestricted	11,974,735
Total net position	\$ 68,993,275

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



**MURRAY CITY SCHOOL DISTRICT**

**Statement of Activities**

Year Ended June 30, 2014

<u>Activities and Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction	\$ 31,777,260	\$ 1,537,860	\$ 7,577,468	\$ (22,661,932)
Supporting services:				
Students	2,050,234	-	506,974	(1,543,260)
Instructional staff	1,238,961	-	239,865	(999,096)
General administration	826,392	-	144,996	(681,396)
School administration	2,615,622	-	1,142	(2,614,480)
Central	1,812,860	-	283	(1,812,577)
Operation and maintenance of facilities	4,368,676	39,977	32,888	(4,295,811)
Student transportation	1,191,137	20,921	268,094	(902,122)
School lunch services	2,121,428	635,460	1,477,846	(8,122)
Community services	876,442	436,775	118,798	(320,869)
Interest on long-term liabilities	1,508,077	-	-	(1,508,077)
Total school district	<u>\$ 50,387,089</u>	<u>\$ 2,670,993</u>	<u>\$ 10,368,354</u>	<u>(37,347,742)</u>
<b>General revenues:</b>				
Property taxes levied for:				
Basic				4,807,088
Voted local				5,499,184
Board local				3,516,847
Debt service				4,093,071
Capital local				<u>2,135,788</u>
Total property taxes				20,051,978
Federal and state aid not restricted to specific purposes				17,865,935
Earnings on investments				464,706
Miscellaneous				<u>2,281,885</u>
Total general revenues				<u>40,664,504</u>
Change in net position				3,316,762
<b>Net position - beginning</b>				<u>65,676,513</u>
<b>Net position - ending</b>				<u>\$ 68,993,275</u>

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

**MURRAY CITY SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2014

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
<b>Assets:</b>					
Cash and investments	\$ 13,004,429	\$ 1,949,724	\$ 28,517,778	\$ 2,326,508	\$ 45,798,439
Receivables:					
Property taxes	12,228,568	3,629,623	3,546,721	-	19,404,912
Other local	417,273	-	12,959	13,540	443,772
State of Utah	115,516	-	-	148,604	264,120
Federal government	2,066,103	-	-	68,569	2,134,672
Inventories	618,420	-	-	-	618,420
Total assets	<u>\$ 28,450,309</u>	<u>\$ 5,579,347</u>	<u>\$ 32,077,458</u>	<u>\$ 2,557,221</u>	<u>\$ 68,664,335</u>
<b>Liabilities:</b>					
Accounts payable	\$ 2,438,769	\$ -	\$ 3,005,093	\$ 16,207	\$ 5,460,069
Accrued salaries and benefits	3,353,008	-	-	-	3,353,008
Unearned revenue:					
Local	19,155	-	-	44,564	63,719
State of Utah	463,485	-	-	2,399	465,884
Federal government	1,935	-	-	37,810	39,745
Total liabilities	<u>6,276,352</u>	<u>-</u>	<u>3,005,093</u>	<u>100,980</u>	<u>9,382,425</u>
<b>Deferred inflows of resources:</b>					
Unavailable property tax revenue	275,543	81,589	42,574	-	399,706
Property taxes levied for future year	12,010,486	3,565,049	3,513,025	-	19,088,560
Total deferred inflows of resources	<u>12,286,029</u>	<u>3,646,638</u>	<u>3,555,599</u>	<u>-</u>	<u>19,488,266</u>
<b>Fund balances:</b>					
Nonspendable:					
Inventories	618,420	-	-	-	618,420
Restricted for:					
Debt service	-	1,932,709	-	-	1,932,709
Hillcrest Jr. High capital project	-	-	13,878,605	-	13,878,605
Other capital projects	-	-	11,638,161	-	11,638,161
School lunch services	-	-	-	400,844	400,844
Committed to:					
Economic stabilization	2,000,000	-	-	-	2,000,000
Employee and retiree benefits	5,238,358	-	-	-	5,238,358
Community recreation	-	-	-	237,397	237,397
Foundation programs	-	-	-	993,714	993,714
Student activities	-	-	-	824,286	824,286
Unassigned	2,031,150	-	-	-	2,031,150
Total fund balances	<u>9,887,928</u>	<u>1,932,709</u>	<u>25,516,766</u>	<u>2,456,241</u>	<u>39,793,644</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,450,309</u>	<u>\$ 5,579,347</u>	<u>\$ 32,077,458</u>	<u>\$ 2,557,221</u>	<u>\$ 68,664,335</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, 2014

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

**Total fund balances for governmental funds** \$ 39,793,644

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 37,658,593	
Buildings, net of \$23,304,547 accumulated depreciation	38,014,085	
Equipment, net of \$3,244,992 accumulated depreciation	<u>1,354,362</u>	77,027,040

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. 399,706

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These and related balances at year end are:

General obligation bonds payable	(44,590,000)	
Unamortized bond issuance premiums	(3,231,133)	
Unamortized deferred amounts on refunding	519,297	
Accrued interest	(681,146)	
Compensated absences payable	(87,248)	
Early retirement benefits payable	<u>(909,323)</u>	(48,979,553)

Internal service funds are used by management to charge the costs of post-retirement health care benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year end is: 752,438

**Total net position of governmental activities** \$ 68,993,275

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, 2014

	<b>Major Funds</b>			<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>		
<b>Revenues:</b>					
Local sources:					
Property taxes	\$ 13,072,096	\$ 3,850,559	\$ 3,166,176	\$ -	\$ 20,088,831
Earnings on investments	221,667	9,028	200,966	27,644	459,305
School lunch sales	-	-	-	623,623	623,623
Other local sources	1,815,282	-	450,000	1,909,562	4,174,844
State sources	23,424,024	-	-	629,093	24,053,117
Federal sources	2,140,924	-	802,690	1,237,558	4,181,172
Total revenues	<u>40,673,993</u>	<u>3,859,587</u>	<u>4,619,832</u>	<u>4,427,480</u>	<u>53,580,892</u>
<b>Expenditures:</b>					
Current:					
Instruction	26,681,479	-	326,411	1,798,840	28,806,730
Supporting services:					
Students	2,048,427	-	1,807	-	2,050,234
Instructional staff	1,238,961	-	-	-	1,238,961
General administration	814,176	-	-	-	814,176
School administration	2,570,701	-	-	97	2,570,798
Central	1,611,790	-	169,960	-	1,781,750
Operation and maintenance of facilities	3,738,893	-	478,554	20,666	4,238,113
Student transportation	951,224	-	123,265	-	1,074,489
School lunch services	-	-	-	2,216,179	2,216,179
Community services	517,905	-	-	358,537	876,442
Capital outlay	382,138	-	20,037,608	-	20,419,746
Debt service:					
Principal retirement	-	1,835,000	-	-	1,835,000
Interest and other charges	-	1,680,946	-	-	1,680,946
Total expenditures	<u>40,555,694</u>	<u>3,515,946</u>	<u>21,137,605</u>	<u>4,394,319</u>	<u>69,603,564</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	118,299	343,641	(16,517,773)	33,161	(16,022,672)
<b>Fund balances - beginning</b>	<u>9,769,629</u>	<u>1,589,068</u>	<u>42,034,539</u>	<u>2,423,080</u>	<u>55,816,316</u>
<b>Fund balances - ending</b>	<u>\$ 9,887,928</u>	<u>\$ 1,932,709</u>	<u>\$ 25,516,766</u>	<u>\$ 2,456,241</u>	<u>\$ 39,793,644</u>

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

**MURRAY CITY SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
Year Ended June 30, 2014

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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** \$ (16,022,672)

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	\$ 19,299,257	
Depreciation expense	<u>(1,413,517)</u>	17,885,740

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	1,835,000	
Interest expense - general obligation bonds	37,167	
Amortization of bond premium	173,097	
Amortization of deferred amounts on refunding	<u>(37,395)</u>	2,007,869

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. (36,853)

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	(10,145)	
Early retirement benefits	<u>(507,177)</u>	(517,322)

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. -

**Change in net position of governmental activities** \$ 3,316,762

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 13,632,250	\$ 13,054,608	\$ 13,072,096	\$ 17,488
Earnings on investments	213,128	170,000	221,667	51,667
Other	960,745	1,244,400	1,815,282	570,882
State sources	23,578,264	24,096,482	23,424,024	(672,458)
Federal sources	2,221,618	2,402,785	2,140,924	(261,861)
Total revenues	<u>40,606,005</u>	<u>40,968,275</u>	<u>40,673,993</u>	<u>(294,282)</u>
<b>Expenditures:</b>				
Current:				
Instruction	27,788,969	27,020,667	26,681,479	339,188
Supporting services:				
Student	2,112,684	2,131,938	2,048,427	83,511
Instructional staff	1,706,124	1,702,327	1,238,961	463,366
General administration	782,778	852,149	814,176	37,973
School administration	2,635,903	2,594,437	2,570,701	23,736
Central	1,330,185	1,293,490	1,611,790	(318,300)
Operation and maintenance of facilities	3,848,906	3,819,988	3,738,893	81,095
Student transportation	735,673	969,713	951,224	18,489
Community services	515,520	540,600	517,905	22,695
Capital outlay	8,626	330,576	382,138	(51,562)
Total expenditures	<u>41,465,368</u>	<u>41,255,885</u>	<u>40,555,694</u>	<u>700,191</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(859,363)	(287,610)	118,299	405,909
<b>Fund balances - beginning</b>	<u>9,769,629</u>	<u>9,769,629</u>	<u>9,769,629</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 8,910,266</u>	<u>\$ 9,482,019</u>	<u>\$ 9,887,928</u>	<u>\$ 405,909</u>

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

**MURRAY CITY SCHOOL DISTRICT**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
June 30, 2014

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	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>Assets:</b>	
Cash and investments	\$ 841,856
Net OPEB asset	<u>172,091</u>
Total assets	<u>1,013,947</u>
<b>Liabilities:</b>	
District retirement benefit	<u>261,509</u>
<b>Net position, unrestricted</b>	<u><u>\$ 752,438</u></u>

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

**MURRAY CITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year Ended June 30, 2014

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	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Revenues:</b>	
Charges for services	\$ 325,111
<b>Expenses:</b>	
Supporting services:	
Health care benefits	324,751
Benefit payouts	<u>5,761</u>
Total expenses	<u>330,512</u>
Operating loss	(5,401)
<b>Nonoperating revenue:</b>	
Earnings on investments	<u>5,401</u>
Change in net position	-
<b>Net position - beginning</b>	<u>752,438</u>
<b>Net position - ending</b>	<u><u>\$ 752,438</u></u>

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



**MURRAY CITY SCHOOL DISTRICT**  
**Statement of Fund Cash Flows**  
**Proprietary Fund**  
Year Ended June 30, 2014

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	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Insurance premiums received from users	\$ 325,111
Cash paid to insurance provider	(324,751)
Cash paid to retirees	(232,041)
Net cash used by operating activities	<u>(231,681)</u>
<b>Cash flows from investing activities:</b>	
Interest received on investments	<u>5,401</u>
Change in cash and cash equivalents	(226,280)
<b>Cash and cash equivalents - beginning</b>	<u>1,068,136</u>
<b>Cash and cash equivalents - ending</b>	<u>\$ 841,856</u>
Displayed on statement of fund net position as cash and investments	<u>\$ 841,856</u>
<b>A reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (5,401)
Decrease in district retirement benefit	(139,199)
Increase in net OPEB asset	(87,081)
Net cash used by operating activities	<u>\$ (231,681)</u>

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

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

## MURRAY CITY SCHOOL DISTRICT

### Notes to Basic Financial Statements

*Continued*

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type:

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

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

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

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

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

## MURRAY CITY SCHOOL DISTRICT

### Notes to Basic Financial Statements

*Continued*

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*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, 2014, 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.

**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

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

recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or significantly extend the asset's life are not capitalized.

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

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

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

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

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

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

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

**Deferred outflows/inflows of resources** – In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, one of which arises only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, *unavailable*

## MURRAY CITY SCHOOL DISTRICT

### Notes to Basic Financial Statements

*Continued*

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*property tax revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied for future year*, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2014 for the 2014-2015 school year.

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

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

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

Fund balance classifications are summarized as follows:

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

## MURRAY CITY SCHOOL DISTRICT

### Notes to Basic Financial Statements

*Continued*

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

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

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

## 2. DEPOSITS AND INVESTMENTS

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

**MURRAY CITY SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

*Continued*

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 reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2014 the District's investments in corporate and government bonds are rated A and A2 or higher by Standard & Poor's and Moody's Investors Service, Inc., respectively.

A reconciliation of cash and investments at June 30, 2014, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 693,674
Carrying amount of investments	<u>45,946,621</u>
Total deposits and investments	<u>\$ 46,640,295</u>
Cash and investments - governmental funds, balance sheet	\$ 45,798,439
Cash and investments - internal service funds, statement of fund net position	<u>841,856</u>
Total cash and investments	<u>\$ 46,640,295</u>

**Deposits** – At June 30, 2014, the District and Foundation have the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Murray City School District	\$ 483,422	\$ 851,604	\$ 250,000
Murray Education Foundation	<u>210,252</u>	<u>210,252</u>	<u>210,252</u>
	<u>\$ 693,674</u>	<u>\$ 1,061,856</u>	<u>\$ 460,252</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, 2014, the District's bank deposits were uncollateralized nor is it required by law.

**Investments** – At June 30, 2014, the District and Foundation have the following investments summarized by investment type and maturities:



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

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)	\$ 43,788,763	\$ 43,788,763	\$ -	\$ -	\$ -
Corporate bonds	1,374,396	1,374,396	-	-	-
Murray Education Foundation:					
Utah Public Treasurers'					
Investment Fund (PTIF)	265,771	265,771	-	-	-
Corporate bonds	500,000	500,000	-	-	-
Government bonds	17,691	-	-	-	17,691
Total investments	<u>\$ 45,946,621</u>	<u>\$ 45,928,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,691</u>

- Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and 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, 2014, 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

**MURRAY CITY SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

*Continued*

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custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The District's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

**3. PROPERTY TAXES**

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

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

As of June 30, 2014, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2014 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

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

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 17,741,806	\$ -	\$ -	\$ 17,741,806
Construction in progress	<u>4,395,437</u>	<u>18,931,968</u>	<u>(3,410,618)</u>	<u>\$ 19,916,787</u>
Total capital assets, not being depreciated	22,137,243	18,931,968	(3,410,618)	37,658,593
Capital assets, being depreciated:				
Buildings	57,908,014	3,410,618	-	61,318,632
Equipment	<u>4,232,065</u>	<u>367,289</u>	<u>-</u>	<u>4,599,354</u>
Total capital assets, being depreciated	62,140,079	3,777,907	-	65,917,986
Accumulated depreciation for:				
Buildings	(22,173,213)	(1,131,334)	-	(23,304,547)
Equipment	<u>(2,962,809)</u>	<u>(282,183)</u>	<u>-</u>	<u>(3,244,992)</u>
Total accumulated depreciation	<u>(25,136,022)</u>	<u>(1,413,517)</u>	<u>-</u>	<u>(26,549,539)</u>
Total capital assets being depreciated, net	<u>37,004,057</u>	<u>2,364,390</u>	<u>-</u>	<u>39,368,447</u>
Governmental activities capital assets, net	<u>\$ 59,141,300</u>	<u>\$ 21,296,358</u>	<u>\$ (3,410,618)</u>	<u>\$ 77,027,040</u>

For the year ended June 30, 2014, depreciation expense was charged to functions of the District as follows:

<b>Governmental activities:</b>	
Instruction	\$ 1,002,207
Supporting services:	
District administration	12,216
School administration	44,824
Operation and maintenance of facilities	31,110
Student transportation	130,563
Central	116,648
School lunch services	<u>75,949</u>
Total depreciation expense, governmental activities	<u>\$ 1,413,517</u>

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

The District is obligated at June 30, 2014 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Grant Elementary	\$ 778,550	\$ 319,202	\$ 459,348
Libert Elementary	880,693	390,975	489,718
Hillcrest Jr. High	30,992,138	18,837,557	12,154,581
Other projects	499,318	369,053	130,265
Total	<u>\$ 33,150,699</u>	<u>\$ 19,916,787</u>	<u>\$ 13,233,912</u>

**5. RETIREMENT PLANS**

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

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

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

The contribution requirements of the System are authorized by state statute and specified by the Utah State Retirement Board. The District's required contribution rates (actuarially determined) to the System for the year ended June 30, 2014 range from 8.34% to 20.97% of covered salaries. Plan members in one of the plans are also required to contribute 1.00% of covered salaries.

For the years ended June 30, 2014, 2013, and 2012, the District contributed \$4,062,587, \$4,164,702, and \$3,922,440, respectively, and employees contributed \$440, \$80, and \$0, respectively, to the System. Contributions were equal to the required contributions for each year.

**Defined contribution plans** – The District participates in a deferred compensation plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the System. During the year ended June 30, 2014, District contributions for participating employees ranged from 1.50% to 10.00% of covered salaries based on the plan within the System.

Employees participating in the System can make additional contributions up to specified limits. For the year ended June 30, 2014, the District contributed \$477,794 and employee contributions totaled \$487,386. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

## MURRAY CITY SCHOOL DISTRICT

### Notes to Basic Financial Statements

*Continued*

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The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$80,593 for the year ended June 30, 2014. The assets of the plan are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

In addition to the defined contribution and deferred compensation plans, the District offers its employees two tax-advantaged savings plans authorized by the Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2014 employee contributions totaled \$21,677 and \$3,575 to the Roth IRA and Traditional IRA, respectively. The assets of the plan are administered and held by URS and URS has the authority to amend the plan.

**Early retirement benefits** – The District provides an early retirement incentive program. Eligibility is restricted to those teachers and administrators with a minimum of ten years of service in the District who have reached the age of 62. Also, those who retire before the age of 62 and have 15 years with the District and a minimum of 25 years in education qualify for these benefits. Those qualifying under this plan, who choose to retire early, may receive benefits for up to three consecutive years. Benefits are determined by taking 50% each year of the difference between step three, lane one of the existing salary schedule and the basic contract amount which educators would have been paid had they continued their assignment for those retiring at age 62, 63, and 64, respectively. The District made \$368,806 in direct payments to retirees under this option for the year ended June 30, 2014.

**District retirement benefit** – During the year ended June 30, 2004, the District established a program which provides current employees who complete 25 years of service and are eligible (certified and administrative employees hired before July 1, 1992 and classified employees hired before September 1, 1988) a one-time payment of \$15,091, plus interest from June 30, 2004, in lieu of receiving post-retirement health care benefits (see Note 8). The present value of amounts payable for benefits in future periods as of June 30, 2014 is estimated at \$429,670; 23 employees are eligible to receive these benefits. Amounts paid annually have approximated the average annual cost of the benefit. Amounts payable at June 30, 2014 totaled \$261,509. The District retirement benefit is serviced by the *lifetime insurance internal service fund*.

## 6. RISK MANAGEMENT

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

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

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

**7. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds payable	\$ 46,425,000	\$ -	\$ (1,835,000)	\$ 44,590,000	\$ 1,925,000
Bond premium	3,404,230	-	(173,097)	3,231,133	-
Total bonds payable, net	49,829,230	-	(2,008,097)	47,821,133	1,925,000
Compensated absences payable	77,103	132,921	(122,776)	87,248	87,248
Early retirement benefits payable	402,146	875,983	(368,806)	909,323	488,122
Total governmental activity long-term liabilities	<u>\$ 50,308,479</u>	<u>\$ 1,008,904</u>	<u>\$ (2,499,679)</u>	<u>\$ 48,817,704</u>	<u>\$ 2,500,370</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2014, including interest payments are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,925,000	\$ 1,589,125	\$ 3,514,125
2016	2,025,000	1,493,375	3,518,375
2017	2,070,000	1,443,250	3,513,250
2018	2,155,000	1,360,450	3,515,450
2019	2,240,000	1,274,250	3,514,250
2020-2024	11,180,000	4,703,850	15,883,850
2025-2029	12,015,000	2,750,100	14,765,100
2030-2033	10,980,000	835,800	11,815,800
Total	<u>\$ 44,590,000</u>	<u>\$ 15,450,200</u>	<u>\$ 60,040,200</u>

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

**General obligation bonds** – General obligation school building bonds payable at June 30, 2014 with their outstanding balance are comprised of the following individual issues:

\$41,025,000 general obligation bonds and general obligation refunding, issued November 1, 2012, maturing February 1, 2033, interest from 2.0% and 5.0%	\$ 40,840,000
\$19,140,000 general obligation refunding bonds, issued October 15, 2002, maturing August 1, 2015, interest at 5.0%	<u>3,750,000</u>
	<u><u>\$ 44,590,000</u></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, 2014 is about \$161.8 million. Net general obligation debt at June 30, 2014 is \$47.8 million, resulting in a legal debt margin of about \$114.0 million.

**8. 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 104 retirees receiving benefit coverage. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

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

**Annual OPEB cost and net OPEB (asset) obligation** – The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer’s annual required contribution (ARC), an amount actuarially determined in accordance with current accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2014, the District’s annual OPEB cost (expense) was \$314,751.

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	\$ 313,036
Interest on net OPEB obligation	(3,399)
Adjustment to annual required contribution	<u>5,114</u>
Annual OPEB cost (expense)	314,751
Contributions made	<u>(401,832)</u>
Increase in net OPEB asset	(87,081)
Net OPEB asset - beginning	<u>(85,010)</u>
Net OPEB asset - ending	<u><u>\$ (172,091)</u></u>

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

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:

Year Ended June, 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
2014	\$ 314,751	\$ 401,832	127.7%	\$ (172,091)
2013	319,239	407,626	127.7%	(85,010)
2012	358,615	384,956	107.3%	3,377

**Funded status and funding progress** – The funded status of the plan as of June 30, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 4,890,270
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,890,270</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	-
UAAL as a percentage of covered payroll	0%

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

**Actuarial methods and assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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



**MURRAY CITY SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

*Continued*

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**9. LITIGATION AND LEGAL COMPLIANCE**

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

**10. GRANTS**

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

**Required Supplementary Information**

**MURRAY CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

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**Schedule of Funding Progress**  
**Other Postemployment Benefits**

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

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

**Combining and Individual Fund  
Statements and Schedules**

**MURRAY CITY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 13,054,608	\$ 13,072,096	\$ 17,488	\$ 12,704,863
Earnings on investments	170,000	221,667	51,667	180,993
Other	1,244,400	1,815,282	570,882	1,582,864
State sources	24,096,482	23,424,024	(672,458)	22,345,426
Federal sources	2,402,785	2,140,924	(261,861)	2,049,985
Total revenues	<u>40,968,275</u>	<u>40,673,993</u>	<u>(294,282)</u>	<u>38,864,131</u>
<b>Expenditures:</b>				
Current:				
Salaries	25,549,635	24,570,978	978,657	24,510,003
Employee benefits	10,757,176	11,161,067	(403,891)	9,928,384
Purchased services	1,492,354	1,408,627	83,727	1,041,051
Supplies	2,926,118	2,612,913	313,205	2,174,508
Property	424,612	730,399	(305,787)	276,346
Other objects	105,990	71,710	34,280	66,356
Total expenditures	<u>41,255,885</u>	<u>40,555,694</u>	<u>700,191</u>	<u>37,996,648</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(287,610)	118,299	405,909	867,483
<b>Fund balances - beginning</b>	<u>9,769,629</u>	<u>9,769,629</u>	<u>-</u>	<u>8,902,146</u>
<b>Fund balances - ending</b>	<u>\$ 9,482,019</u>	<u>\$ 9,887,928</u>	<u>\$ 405,909</u>	<u>\$ 9,769,629</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Debt Service Fund**  
Year Ended June 30, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Property taxes	\$ 3,520,625	\$ 3,850,559	\$ 329,934	\$ 2,425,605
Earnings on investments	10,000	9,028	(972)	10,211
Total revenues	<u>3,530,625</u>	<u>3,859,587</u>	<u>328,962</u>	<u>2,435,816</u>
<b>Expenditures:</b>				
Principal retirement	1,835,000	1,835,000	-	1,790,000
Interest and other charges	1,696,450	1,680,946	15,504	972,886
Bond issuance costs	-	-	-	72,111
Total expenditures	<u>3,531,450</u>	<u>3,515,946</u>	<u>15,504</u>	<u>2,834,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(825)</u>	<u>343,641</u>	<u>344,466</u>	<u>(399,181)</u>
<b>Other financing sources (uses):</b>				
Refunding bonds issued	-	-	-	8,880,000
Refunding bonds premium	-	-	-	1,903,592
Payment to refunding bonds escrow agent	-	-	-	(10,711,481)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,111</u>
Net change in fund balances	<u>(825)</u>	<u>343,641</u>	<u>344,466</u>	<u>(327,070)</u>
<b>Fund balances - beginning</b>	<u>1,589,068</u>	<u>1,589,068</u>	<u>-</u>	<u>1,916,138</u>
<b>Fund balances - ending</b>	<u>\$ 1,588,243</u>	<u>\$ 1,932,709</u>	<u>\$ 344,466</u>	<u>\$ 1,589,068</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Capital Projects Fund**  
Year Ended June 30, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 3,285,606	\$ 3,166,176	\$ (119,430)	\$ 2,907,707
Earnings on investments	50,000	200,966	150,966	224,384
Other	450,000	450,000	-	125,000
State sources	834,491	-	(834,491)	-
Federal sources	-	802,690	802,690	-
Total revenues	<u>4,620,097</u>	<u>4,619,832</u>	<u>(265)</u>	<u>3,257,091</u>
<b>Expenditures:</b>				
Current:				
Purchased services	20,882,321	20,053,266	829,055	4,854,677
Supplies	514,514	397,939	116,575	576,932
Property	3,122,858	686,400	2,436,458	1,074,616
Bond issuance costs	-	-	-	245,905
Total expenditures	<u>24,519,693</u>	<u>21,137,605</u>	<u>3,382,088</u>	<u>6,752,130</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(19,899,596)	(16,517,773)	3,381,823	(3,495,039)
<b>Other financing sources (uses):</b>				
General obligation bonds issued	-	-	-	32,145,000
General obligation bonds premium	-	-	-	1,601,611
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,746,611</u>
Net change in fund balances	(19,899,596)	(16,517,773)	3,381,823	30,251,572
<b>Fund balances - beginning</b>	<u>42,034,539</u>	<u>42,034,539</u>	<u>-</u>	<u>11,782,967</u>
<b>Fund balances - ending</b>	<u>\$ 22,134,943</u>	<u>\$ 25,516,766</u>	<u>\$ 3,381,823</u>	<u>\$ 42,034,539</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2014

	<b>Special Revenue</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Non K-12 Programs</b>	<b>School Lunch</b>	<b>Murray Education Foundation</b>	<b>Student Activities</b>	
<b>Assets:</b>					
Cash and investments	\$ 238,987	\$ 269,391	\$ 993,714	\$ 824,416	\$ 2,326,508
Receivables:					
Other local	-	13,540	-	-	13,540
State of Utah	-	148,604	-	-	148,604
Federal government	48,787	19,782	-	-	68,569
Total assets	<u>\$ 287,774</u>	<u>\$ 451,317</u>	<u>\$ 993,714</u>	<u>\$ 824,416</u>	<u>\$ 2,557,221</u>
<b>Liabilities:</b>					
Accounts payable	\$ 10,168	\$ 5,909	\$ -	\$ 130	\$ 16,207
Unearned revenue:					
Other local	-	44,564	-	-	44,564
State of Utah	2,399	-	-	-	2,399
Federal government	37,810	-	-	-	37,810
Total liabilities	<u>50,377</u>	<u>50,473</u>	<u>-</u>	<u>130</u>	<u>100,980</u>
<b>Fund balances:</b>					
Restricted for:					
School lunch services	-	400,844	-	-	400,844
Committed to:					
Community recreation	237,397	-	-	-	237,397
Foundation programs	-	-	993,714	-	993,714
Student activities	-	-	-	824,286	824,286
Total fund balances	<u>237,397</u>	<u>400,844</u>	<u>993,714</u>	<u>824,286</u>	<u>2,456,241</u>
Total liabilities and fund balances	<u>\$ 287,774</u>	<u>\$ 451,317</u>	<u>\$ 993,714</u>	<u>\$ 824,416</u>	<u>\$ 2,557,221</u>



**MURRAY CITY SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2014

	<b>Special Revenue</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Non K-12 Programs</b>	<b>School Lunch</b>	<b>Murray Education Foundation</b>	<b>Student Activities</b>	
<b>Revenues:</b>					
Local sources:					
Lunch sales	\$ -	\$ 623,623	\$ -	\$ -	\$ 623,623
Earnings on investments	12,992	3,718	10,934	-	27,644
Other local revenues	359,933	11,837	88,940	1,448,852	1,909,562
State sources	307,675	321,418	-	-	629,093
Federal sources	81,130	1,156,428	-	-	1,237,558
Total revenues	<u>761,730</u>	<u>2,117,024</u>	<u>99,874</u>	<u>1,448,852</u>	<u>4,427,480</u>
<b>Expenditures:</b>					
Current:					
Instruction	343,780	-	55,819	1,399,241	1,798,840
Supporting services:					
School administration	97	-	-	-	97
Operation and maintenance of facilities	20,666	-	-	-	20,666
Community services	358,537	-	-	-	358,537
School lunch services	-	2,216,179	-	-	2,216,179
Total expenditures	<u>723,080</u>	<u>2,216,179</u>	<u>55,819</u>	<u>1,399,241</u>	<u>4,394,319</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	38,650	(99,155)	44,055	49,611	33,161
<b>Fund balances - beginning</b>	<u>198,747</u>	<u>499,999</u>	<u>949,659</u>	<u>774,675</u>	<u>2,423,080</u>
<b>Fund balances - ending</b>	<u>\$ 237,397</u>	<u>\$ 400,844</u>	<u>\$ 993,714</u>	<u>\$ 824,286</u>	<u>\$ 2,456,241</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
*Non K-12 Programs*  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Earnings on investments	\$ 100	\$ 12,992	\$ 12,892	\$ 4,293
Other local revenue	347,700	359,933	12,233	336,005
State sources	290,130	307,675	17,545	264,264
Federal sources	110,642	81,130	(29,512)	76,405
Total revenues	<u>748,572</u>	<u>761,730</u>	<u>13,158</u>	<u>680,967</u>
<b>Expenditures:</b>				
Current:				
Salaries	433,024	414,247	18,777	425,990
Employee benefits	139,255	136,809	2,446	126,750
Purchased services	57,570	86,373	(28,803)	62,369
Supplies	68,060	67,734	326	62,783
Property	1,394	-	1,394	-
Other objects	37,055	17,917	19,138	12,272
Total expenditures	<u>736,358</u>	<u>723,080</u>	<u>13,278</u>	<u>690,164</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	12,214	38,650	26,436	(9,197)
<b>Fund balances - beginning</b>	<u>198,747</u>	<u>198,747</u>	<u>-</u>	<u>207,944</u>
<b>Fund balances - ending</b>	<u>\$ 210,961</u>	<u>\$ 237,397</u>	<u>\$ 26,436</u>	<u>\$ 198,747</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**School Lunch**  
**Nonmajor Special Revenue Fund**  
Year Ended June 30, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Lunch sales	\$ 636,000	\$ 623,623	\$ (12,377)	\$ 682,712
Earnings on investments	3,000	3,718	718	6,924
Other local revenue	10,000	11,837	1,837	13,318
State sources	325,000	321,418	(3,582)	342,440
Federal sources	1,158,086	1,156,428	(1,658)	1,135,344
Total revenues	<u>2,132,086</u>	<u>2,117,024</u>	<u>(15,062)</u>	<u>2,180,738</u>
<b>Expenditures:</b>				
Current:				
Salaries	753,913	684,626	69,287	712,505
Benefits	268,697	258,642	10,055	242,553
Purchased services	44,257	27,526	16,731	37,188
Supplies	1,272,679	1,077,954	194,725	1,132,923
Property	10,000	3,279	6,721	20,179
Other objects	57,435	164,152	(106,717)	231,862
Total expenditures	<u>2,406,981</u>	<u>2,216,179</u>	<u>190,802</u>	<u>2,377,210</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(274,895)	(99,155)	175,740	(196,472)
<b>Fund balances - beginning</b>	<u>499,999</u>	<u>499,999</u>	<u>-</u>	<u>696,471</u>
<b>Fund balances - ending</b>	<u>\$ 225,104</u>	<u>\$ 400,844</u>	<u>\$ 175,740</u>	<u>\$ 499,999</u>

**MURRAY CITY SCHOOL DISTRICT**  
**Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances**  
*Murray Education Foundation*  
**Nonmajor Special Revenue Fund**  
Years Ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Local sources:		
Contributions	\$ 88,940	\$ 92,131
Earnings on investments	10,934	2,043
Total revenues	99,874	94,174
 <b>Expenditures:</b>		
Current:		
Instruction	55,819	46,701
Excess of revenues over expenditures / net change in fund balances	44,055	47,473
 <b>Fund balances - beginning</b>	949,659	902,186
<b>Fund balances - ending</b>	\$ 993,714	\$ 949,659

**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, 2014  
With Comparative Totals for 2013

	<b>2014</b>			<b>2013</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ 3,827
Other local revenue	1,500,000	1,448,852	(51,148)	1,791,272
Total revenues	<u>1,500,000</u>	<u>1,448,852</u>	<u>(51,148)</u>	<u>1,795,099</u>
<b>Expenditures:</b>				
Current:				
Purchased services	157,000	328,312	(171,312)	695,321
Supplies	1,386,000	740,595	645,405	759,462
Property	7,000	45,403	(38,403)	62,135
Other objects	150,000	284,931	(134,931)	273,591
Total expenditures	<u>1,700,000</u>	<u>1,399,241</u>	<u>300,759</u>	<u>1,790,509</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(200,000)	49,611	249,611	4,590
<b>Fund balances - beginning</b>	<u>774,675</u>	<u>774,675</u>	-	<u>770,085</u>
<b>Fund balances - ending</b>	<u><u>\$ 574,675</u></u>	<u><u>\$ 824,286</u></u>	<u><u>\$ 249,611</u></u>	<u><u>\$ 774,675</u></u>

**OTHER INFORMATION**  
**(Unaudited)**

**MURRAY CITY SCHOOL DISTRICT**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)**  
June 30, 2014 through 2010

	2014	2013	2012	2011	2010
<b>Assets:</b>					
Cash and investments	\$ 46,640,295	\$ 62,137,028	\$ 30,203,263	\$ 31,309,076	\$ 32,213,086
Receivables:					
Property taxes	19,316,471	19,495,080	17,393,802	17,179,433	16,582,363
Other local	443,772	15,785	140,732	525,213	2,251
State of Utah	264,120	182,974	335,991	186,274	296,815
Federal government	2,134,672	2,011,923	2,010,783	2,450,646	809,611
Prepaid items	-	48,840	-	-	-
Inventories	618,420	588,061	498,688	755,502	714,683
Net OPEB asset	172,091	85,010	-	-	-
Capital assets:					
Land and construction in progress	37,658,593	22,137,243	17,736,806	16,067,445	14,735,553
Buildings and equipment, net of accumulated depreciation	39,368,447	37,004,057	38,297,904	39,465,887	40,620,128
Total assets	<u>146,616,881</u>	<u>143,706,001</u>	<u>106,617,969</u>	<u>107,939,476</u>	<u>105,974,490</u>
<b>Deferred outflows of resources:</b>					
Deferred amounts on refundings	519,297	556,692	514,422	578,062	641,701
<b>Liabilities:</b>					
Accounts payable	5,721,578	4,331,581	2,613,995	2,809,853	1,793,369
Accrued interest	681,146	718,313	324,766	355,841	385,615
Accrued salaries and benefits	3,353,008	3,199,843	3,160,631	3,126,541	2,902,635
Unearned revenue:					
Other local	204,092	63,615	51,206	58,045	36,900
State of Utah	325,511	849,335	1,207,369	1,365,594	1,490,672
Federal government	39,745	38,302	19,911	23,367	13,198
Noncurrent liabilities:					
Due and payable within one year	2,500,370	2,045,843	1,882,834	1,789,677	1,800,936
Due and payable after one year	46,317,334	48,262,636	16,296,771	17,906,733	19,636,701
Total liabilities	<u>59,142,784</u>	<u>59,509,468</u>	<u>25,557,483</u>	<u>27,435,651</u>	<u>28,060,026</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for future year	19,088,560	19,076,712	16,937,503	16,643,263	16,182,042
<b>Net position:</b>					
Net investment in capital assets	40,978,902	37,618,325	38,734,132	36,676,394	34,907,078
Restricted for:					
Debt service	1,466,138	1,192,106	1,660,449	1,611,641	1,613,452
Capital projects	14,326,604	14,347,405	11,823,367	12,184,787	11,567,268
Community recreation	-	-	707,773	706,281	696,688
School lunch services	433,998	552,778	207,944	318,178	338,211
Transportation	-	-	60,938	51,739	71,085
Unrestricted	11,699,192	11,965,899	11,442,802	12,889,604	13,180,341
Total net position	<u>\$ 68,904,834</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>	<u>\$ 62,374,123</u>

**MURRAY CITY SCHOOL DISTRICT**  
**COMPARATIVE STATEMENTS OF ACTIVITIES**  
**GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)**  
**Years Ended June 30, 2014 through 2010**

	2014	2013	2012	2011	2010
<b>Expenses:</b>					
Instruction	\$ 31,777,260	\$ 30,043,867	\$ 29,984,312	\$ 29,903,695	\$ 29,669,641
Supporting services:					
Student	2,050,234	2,044,784	1,723,176	1,763,044	1,679,543
Instructional staff	1,238,961	1,440,676	1,789,506	1,554,908	1,685,470
General administration	826,392	1,157,888	1,127,919	778,709	788,927
School administration	2,615,622	2,527,867	2,542,028	2,453,638	2,458,705
Central	1,812,860	1,525,412	1,677,403	1,575,102	1,339,474
Operation and maintenance of facilities	4,368,676	4,218,582	4,227,793	4,119,525	4,042,899
Student transportation	1,191,137	955,311	1,062,989	948,326	1,060,380
School lunch services	2,121,428	2,460,235	2,445,521	2,494,372	2,392,552
Community services	876,442	863,161	898,992	843,688	847,603
Interest on long-term liabilities	1,508,077	1,309,671	848,161	956,241	985,891
Total school district	<u>50,387,089</u>	<u>48,547,454</u>	<u>48,327,800</u>	<u>47,391,248</u>	<u>46,951,085</u>
<b>Program revenues:</b>					
Instruction	9,115,328	7,875,378	7,420,401	9,291,059	9,005,983
Supporting services:					
Student	506,974	572,124	498,606	440,881	293,355
Instructional staff	239,865	214,581	301,029	280,425	625,542
General administration	144,996	196,136	195,127	181,340	151,292
School administration	1,142	2,584	1,299	101	99
Central	283	473	240	552	-
Operation and maintenance of facilities	72,865	68,911	90,076	137,074	80,545
Student transportation	289,015	423,519	451,666	475,616	695,394
School lunch services	2,113,306	2,173,814	2,357,006	2,420,362	2,388,431
Community services	555,573	541,707	498,830	351,420	310,020
Total program revenues	<u>13,039,347</u>	<u>12,069,227</u>	<u>11,814,280</u>	<u>13,578,830</u>	<u>13,550,661</u>
Net (expense) revenue	<u>(37,347,742)</u>	<u>(36,478,227)</u>	<u>(36,513,520)</u>	<u>(33,812,418)</u>	<u>(33,400,424)</u>
<b>General revenues:</b>					
Property taxes	19,963,537	18,002,328	17,867,632	17,380,266	17,534,838
Federal and state aid not restricted to specific purposes	17,865,935	17,245,373	17,258,358	17,567,659	18,419,978
Earnings on investments	464,706	444,239	377,904	229,269	585,780
Miscellaneous	2,281,885	1,825,395	1,208,407	699,725	989,508
Total general revenues	<u>40,576,063</u>	<u>37,517,335</u>	<u>36,712,301</u>	<u>35,876,919</u>	<u>37,530,104</u>
Change in net position	<u>3,228,321</u>	<u>1,039,108</u>	<u>198,781</u>	<u>2,064,501</u>	<u>4,129,680</u>
<b>Net position - beginning</b>	<u>65,676,513</u>	<u>64,637,405</u>	<u>64,438,624</u>	<u>62,374,123</u>	<u>58,244,443</u>
<b>Net position - ending</b>	<u>\$ 68,904,834</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>	<u>\$ 62,374,123</u>

Source: District records



**MURRAY CITY SCHOOL DISTRICT  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS**  
June 30, 2014 through 2010

	2014	2013	2012	2011	2010
<b>Assets:</b>					
Cash and investments	\$ 13,004,429	\$ 13,525,934	\$ 12,294,577	\$ 12,868,988	\$ 13,862,899
Accounts receivable:					
Property taxes	12,167,600	12,353,750	11,623,979	10,378,714	9,897,878
Other local	417,273	2,215	127,652	425,832	-
State of Utah	115,516	33,589	212,719	75,585	252,829
Federal government	2,066,103	1,948,251	1,973,548	2,404,162	766,461
Inventories	618,420	588,061	498,688	755,502	671,425
Due from other funds	-	-	199,285	-	-
Total assets	<u>\$ 28,389,341</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</u>	<u>\$ 25,451,492</u>
<b>Liabilities:</b>					
Accounts payable	\$ 2,438,769	\$ 2,248,809	\$ 2,048,589	\$ 2,234,200	\$ 1,335,735
Accrued salaries and benefits	3,353,008	3,199,843	3,112,877	3,083,947	2,869,666
Unearned revenue:					
Local	159,528	16,179	21,462	23,252	-
State of Utah	323,112	842,883	1,205,016	1,365,594	1,486,438
Federal government	1,935	3,480	3,967	10,146	13,198
Total liabilities	<u>6,276,352</u>	<u>6,311,194</u>	<u>6,391,911</u>	<u>6,717,139</u>	<u>5,705,037</u>
<b>Deferred inflows of resources:</b>					
Unavailable property tax revenue	214,575	321,351	472,406	431,488	394,781
Property taxes levied for future year	12,010,486	12,049,626	11,163,985	9,943,707	9,502,752
Total deferred inflows of resources	<u>12,225,061</u>	<u>12,370,977</u>	<u>11,636,391</u>	<u>10,375,195</u>	<u>9,897,533</u>
<b>Fund balances:</b>					
Nonspendable:					
Inventories	618,420	588,061	498,688	755,502	671,425
Restricted for:					
Other purposes	-	-	60,938	51,739	71,085
Committed to:					
Economic stabilization	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Employee and retiree benefits	5,238,358	5,238,358	5,238,358	5,238,358	5,238,358
Unassigned	2,031,150	1,943,210	1,104,162	1,770,850	1,868,054
Total fund balances	<u>9,887,928</u>	<u>9,769,629</u>	<u>8,902,146</u>	<u>9,816,449</u>	<u>9,848,922</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,389,341</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</u>	<u>\$ 25,451,492</u>

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

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

Years Ended June 30, 2014 through 2010 with Anticipated Budget for 2015

	Anticipated Budget					
	2015	2014	2013	2012	2011	2010
<b>Revenues:</b>						
Property taxes	\$ 13,051,343	\$ 13,072,096	\$ 12,704,863	\$ 12,429,628	\$ 11,210,164	\$ 10,565,553
Earnings on investments	170,000	221,667	180,993	232,949	106,823	427,111
Other local revenue	914,456	1,815,282	1,582,864	1,247,219	882,628	1,110,007
State sources	24,297,318	23,424,024	22,345,426	22,060,958	22,390,362	22,892,573
Federal sources	2,397,993	2,140,924	2,049,985	2,080,138	3,594,712	4,296,485
Total revenues	40,831,110	40,673,993	38,864,131	38,050,892	38,184,689	39,291,729
<b>Expenditures:</b>						
Current:						
Instruction	27,476,451	26,681,479	25,117,465	25,798,621	25,739,288	26,379,638
Support services:						
Student	2,156,636	2,048,427	2,043,406	1,719,344	1,754,484	1,679,372
Instructional staff	1,723,713	1,238,961	1,433,949	1,789,007	1,554,908	1,673,826
General administration	840,345	814,176	827,656	1,117,197	767,752	778,205
School administration	2,659,507	2,570,701	2,479,157	2,493,320	2,408,644	2,413,114
Central	1,398,621	1,611,790	1,190,811	1,504,572	1,156,905	1,161,726
Operation and maintenance of facilities	3,799,737	3,738,893	3,573,033	3,611,771	3,921,035	3,623,088
Student transportation	893,550	951,224	833,039	800,502	801,746	807,164
Community services	545,973	517,905	498,132	130,861	112,400	106,456
Capital outlay	1,576	382,138	-	-	-	295,920
Total expenditures	41,496,109	40,555,694	37,996,648	38,965,195	38,217,162	38,918,509
Excess (deficiency) of revenues over (under) expenditures	(664,999)	118,299	867,483	(914,303)	(32,473)	373,220
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	92,535
Change in fund balances	(664,999)	118,299	867,483	(914,303)	(32,473)	465,755
<b>Fund balances - beginning</b>	9,887,928	9,769,629	8,902,146	9,816,449	9,848,922	9,383,167
<b>Fund balances - ending</b>	\$ 9,222,929	\$ 9,887,928	\$ 9,769,629	\$ 8,902,146	\$ 9,816,449	\$ 9,848,922

Source: District records

**MURRAY CITY SCHOOL DISTRICT**  
**HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY**

Tax (Calendar) Years 2013 through 2009

	2013		2012	2011	2010	2009
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
<b>Set by state tax commission-centrally assessed</b>	\$ 43,924,492	1.4 %	\$ 42,576,654	\$ 49,769,449	\$ 49,154,777	\$ 50,234,013
<b>Set by county assessor-locally assessed</b>						
Real property:						
Primary residential	1,269,724,702	41.7	1,206,067,631	1,256,582,040	1,274,080,389	1,317,338,230
Other residential	22,821,670	0.7	22,431,230	24,124,360	26,337,730	25,856,220
Commercial and industrial	1,401,848,820	46.0	1,374,324,080	1,350,635,910	1,361,584,890	1,414,620,920
Agriculture buildings	9,010	0.0	106,660	102,870	111,330	115,840
Unimproved non FAA	6,670	0.0	6,510	6,380	6,370	6,270
Total real property	<u>2,694,410,872</u>	<u>88.4</u>	<u>2,602,936,111</u>	<u>2,631,451,560</u>	<u>2,662,120,709</u>	<u>2,757,937,480</u>
Personal property:						
Primary mobile homes	5,349,989	0.2	5,557,163	5,778,968	5,934,862	6,292,843
Secondary mobile homes	113,647	0.0	147,575	108,106	113,476	187,944
Other business personal	211,233,953	6.9	207,929,139	188,765,015	203,678,035	218,478,278
Total personal property	<u>216,697,589</u>	<u>7.1</u>	<u>213,633,877</u>	<u>194,652,089</u>	<u>209,726,373</u>	<u>224,959,065</u>
Fee in lieu property	<u>91,810,534</u>	<u>3.0</u>	<u>89,306,352</u>	<u>90,723,186</u>	<u>194,568,126</u>	<u>191,659,827</u>
Total locally assessed	<u>3,002,918,995</u>	<u>98.6</u>	<u>2,905,876,340</u>	<u>2,916,826,835</u>	<u>3,066,415,208</u>	<u>3,174,556,372</u>
Total taxable value (TV)	<u>\$ 3,046,843,487</u>	<u>100.0 %</u>	<u>\$ 2,948,452,994</u>	<u>\$ 2,966,596,284</u>	<u>\$ 3,115,569,985</u>	<u>\$ 3,224,790,385</u>
Total taxable value (less fee in lieu)	<u>\$ 2,955,032,953</u>		<u>\$ 2,859,146,642</u>	<u>\$ 2,875,873,098</u>	<u>\$ 2,921,001,859</u>	<u>\$ 3,033,130,558</u>

Source: Property Tax Division, Utah State Tax Commission

**MURRAY CITY SCHOOL DISTRICT  
TAX RATES AND COLLECTIONS**

Years Ended June 30, 2014 through 2010 with Anticipated Budget for 2015

	Anticipated Budget		2014		2013		2012		2011		2010	
	Tax Rate	Budget	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
<b>General fund:</b>												
Basic levy	0.001419	\$ 4,158,636	0.001535	\$ 4,540,488	0.001651	\$ 4,758,747	0.001591	\$ 4,632,853	0.001495	\$ 4,339,744	0.001433	\$ 4,439,223
Voted local levy	0.001786	5,234,196	0.001756	5,194,201	0.001786	5,147,862	0.000000	-	0.000000	-	0.000000	-
Board local levy	0.001097	3,214,957	0.001123	3,337,407	0.000892	2,571,049	0.000000	-	0.000000	-	0.000000	-
Voted leeway	0.000000	-	0.000000	-	0.000000	-	0.001815	5,285,121	0.001786	5,184,470	0.001660	5,142,435
Reading program	0.000000	-	0.000000	-	0.000000	-	0.000120	349,429	0.000118	342,535	0.000110	340,764
Special transportation	0.000000	-	0.000000	-	0.000000	-	0.000119	346,518	0.000117	339,632	0.000099	306,687
Tort liability	0.000000	-	0.000000	-	0.000000	-	0.000018	52,414	0.000471	1,367,237	0.000000	-
10% of basic levy	0.000000	-	0.000000	-	0.000000	-	0.000479	1,394,806	0.000018	52,251	0.000017	52,663
Total general fund	0.004302	12,607,789	0.004414	13,072,096	0.004329	12,477,658	0.004142	12,061,141	0.004005	11,625,869	0.003319	10,281,772
<b>Non K-12 programs fund:</b>												
Community recreation	0.000000	-	0.000000	-	0.000000	-	0.000134	390,196	0.000132	383,175	0.000123	381,036
<b>Debt service fund:</b>												
Debt service	0.001277	3,742,479	0.001307	3,850,559	0.000841	2,424,049	0.000819	2,384,856	0.000804	2,333,882	0.000732	2,267,628
<b>Capital projects fund:</b>												
Capital local	0.000667	1,954,764	0.000682	2,017,247	0.000711	2,049,345	0.000506	1,473,428	0.000388	1,126,302	0.000327	1,012,998
Capital outlay equalized	0.000600	1,650,963	0.000600	1,148,929	0.000600	1,110,856	0.000600	1,121,264	0.000600	1,237,693	0.000600	1,900,997
10% of basic levy	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000383	1,186,478
Total capital projects fund	0.001267	3,605,727	0.001282	3,166,176	0.001311	3,160,201	0.001106	2,594,692	0.000988	2,363,995	0.001310	4,100,473
Total tax rate / collections	0.006846	\$ 19,955,995	0.007003	\$ 20,088,831	0.006481	\$ 18,061,908	0.006201	\$ 17,430,885	0.005929	\$ 16,706,921	0.005484	\$ 17,030,909

Note: Tax rates are levied for the calendar year. This schedule reports collections for fiscal years ended June 30. For example, calendar year 2013 tax rates are for the District's fiscal year ended June 30, 2014. Collections are allocated using current tax rates. Collections will differ from tax revenue reported in the financial statements depending on the basis of accounting and allocation methods used.

**MURRAY CITY SCHOOL DISTRICT**

**COMPLIANCE REPORTS**

Year Ended June 30, 2014

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**MURRAY CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Pass- Through Number	District's Program Number	Receivable (Unearned) June 30, 2013	Received	Expended	Receivable (Unearned) June 30, 2014
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
Passed Through State of Utah Board of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	44	8001	\$ 2,069	\$ 147,142	\$ 148,156	\$ 3,083
National School Lunch Program	10.555	42	8001	12,300	858,114	862,513	16,699
National School Lunch Program (Donated Commodities)	10.555		8001	-	141,854	141,854	-
Child Nutrition Discretionary Grants Limited Availability	10.579	42	8001	-	3,905	3,905	-
Passed Through Salt Lake County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665		0050	-	1,310	1,310	-
				<u>14,369</u>	<u>1,152,325</u>	<u>1,157,738</u>	<u>19,782</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060		7608	33,926	33,926	17,103	17,103
Passed Through State of Utah Board of Education:							
Title I Grants to Local Educational Agencies	84.010	08	7511	605,890	639,646	829,883	796,127
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	7551	1,054,767	1,058,323	991,448	987,892
Special Education - Preschool Grants	84.173	52	7550	34,234	34,234	31,820	31,820
Career and Technical Education - Basic Grants to States	84.048	21	6000	-	-	65,248	65,248
English Language Acquisition State Grants	84.365	73	7507	33,404	33,506	27,068	26,966
Improving Teacher Quality State Grants	84.367	74	7505	184,971	184,971	172,767	172,767
				<u>1,947,192</u>	<u>1,984,606</u>	<u>2,135,337</u>	<u>2,097,923</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>							
Passed Through State of Utah Department of Human Services:							
Head Start	93.600		7321	4,974	9,805	10,333	5,502
Passed Through DDI Vantage:							
Head Start	93.600		1280	(24,727)	40,594	38,977	(26,344)
Passed Through Jordan School District:							
Block Grants for Prevention and Treatment of Substance Abuse	93.959		7609	(3,480)	-	1,545	(1,935)
				<u>(23,233)</u>	<u>50,399</u>	<u>50,855</u>	<u>(22,777)</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
Passed Through Utah Division of Emergency Management:							
Hazard Mitigation Grant	97.039			-	802,690	802,690	-
Total federal awards				<u>\$ 1,938,328</u>	<u>\$ 3,990,020</u>	<u>\$ 4,146,620</u>	<u>\$ 2,094,928</u>

See the accompanying notes to this schedule.

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

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

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

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue until earned. Donated food commodities are recorded at fair value in the School Food Services Fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption and totaled \$141,854 for the year ended June 30, 2014.

**Note C. Relationship to the District’s Financial Statements** – The District received Medical Assistance Program grant monies through the State of Utah Department of Health. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2014 is as follows:

General Fund	\$ 2,140,924
Capital Projects Fund	802,690
Special Revenue Funds:	
Non K-12 Programs	81,130
School Lunch	1,156,428
Total governmental funds	<u>4,181,172</u>
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(34,552)</u>
Total federal revenue reported on the Schedule of Expenditures of Federal Awards (SEFA)	<u><u>\$ 4,146,620</u></u>





Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education  
Murray City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 25, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Squire & Company, PC*

Orem, Utah  
November 25, 2014



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

Board of Education  
Murray City School District

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

We have audited the compliance of Murray City School District (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2014. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our

audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of Murray City School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated November 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Squire + Company, PC*

Orem, Utah  
November 25, 2014

**MURRAY CITY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2014

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No matters were reported in the prior year audit.

**MURRAY CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2014

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I. Summary of auditor's results:

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified?  yes  no

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

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

-Material weaknesses identified?  yes  no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
84.010	Title I Grants to Local Educational Agencies
97.039	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee?  yes  no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.

**MURRAY CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
Year Ended June 30, 2014

State Grantor Agency / Program Title	Program Number	Year Last Audited	Receivable (Unearned) June 30, 2013	Received	Expended	Receivable (Unearned) June 30, 2014
<b>State Awards:</b>						
State of Utah Office of Education:						
Minimum School Program (per MSP schedule)	Various	2014	\$ (741,693)	\$ 22,646,535	\$ 23,058,390	\$ (329,838)
Driver Education	5610		(93,301)	39,310	106,984	(25,627)
Professional Development	5618		-	500	500	-
CTE Safe and Drug Free State Act	5672		-	5,098	10,195	5,097
Utah Performance Assessment System for Students (UPASS)	5699		-	25,125	25,125	-
UMTSS Grant			-	15,001	15,001	-
Other state sources:						
Medicaid Fee for Service			19,247	534,751	515,504	-
Total state awards			(815,747)	23,266,320	23,731,699	(350,368)
<b>State Funding Tested with Federal Programs:</b>						
State of Utah Office of Education:						
School Lunch Program (Liquor Control Tax)	8070	2014*	149,385	322,199	321,418	148,604
Total state funding tested with federal programs			149,385	322,199	321,418	148,604
Total state revenue			\$ (666,362)	\$ 23,588,519	\$ 24,053,117	\$ (201,764)

\* Tested with the Child Nutrition Cluster as part of the federal compliance audit

This schedule is presented using the modified accrual basis of accounting employed by governmental funds; see Note 1 to the District's basic financial statements.



Independent Auditor's Report on Each General State Compliance Requirement Tested and on Compliance for Each Major State Program; and Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards Required by the *State Compliance Audit Guide*

Board of Education  
Murray City School District

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

We have audited the compliance of Murray City School District (the District) with the general and major state program compliance requirements described in the *State Compliance Audit Guide* for the year ended June 30, 2014.

General state compliance requirements tested for the year ended June 30, 2014 are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Locally Generated Taxes and Fees
- Government Records Access Management Act (GRAMA)
- Utah Public Finance Website

The District's state awards classified as major programs for the year ended June 30, 2014 are as follows:

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a general state compliance requirement or a major state program occurred. An audit includes



examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each general state compliance requirement tested and each major state program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, Murray City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each general compliance requirement tested and on each of its major state programs for the year ended June 30, 2014.

### ***Other Matters***

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

Government Records Access Management Act (GRAMA) – We noted the annual training for the District's Records Officer on the requirements of the Government Records Access Management Act was not completed in the current year. We recommend required trainings be identified and completed.

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

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

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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Awards in Accordance with the *State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated November 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis in accordance with the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Squire & Company, PC*

Orem, Utah  
November 25, 2014



Letter to Management

Board of Education  
Murray City School District

In planning and performing our audit of the basic financial statements of Murray City School District (the District) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated November 25, 2014, on the financial statements of the District. This letter accompanies our reports dated November 25, 2014, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State Compliance Audit Guide*.

**Certain Other Matters**

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

New Accounting and Reporting Standards – Please note that several new accounting and reporting standards become effective in the near future, such as:

- GASB Statement No. 68, *Financial Reporting for Pensions – an amendment of GASB No. 27* – Effective 2015. This Statement improves reporting by local governments for pensions. The District will be required to include its proportionate share of the net pension liability of cost-sharing plans in which the District participates. As reported by the Utah Retirements Systems (URS), the District’s portion of the collective net pension liability and deferred inflows of resources were \$21.5 million and \$7.2 million, respectively, on December 31, 2013. The District will need to determine an appropriate method of allocating this liability and deferral to its funds and functions. New disclosures and required supplementary information will also be included in the District’s financial report.

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – Effective 2015. This Statement amends GASB Statement No. 68. The measurement date for deferred outflows/inflows of resources related to pensions will correspond with the reporting period for URS (December 31). The District will report any pension contributions made subsequent to the measurement date as deferred outflows of resources.

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

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

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

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

*Squire & Company, PC*

Orem, Utah  
November 25, 2014