

MURRAY CITY SCHOOL DISTRICT

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

Year Ended June 30, 2015

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, 2015, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress – other postemployment benefits, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, and the schedules of District contributions – Utah Retirement Systems, 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 30, 2015 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 30, 2015

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, 2015.

Financial Highlights

- The District's total net position was \$54.4 million at the close of the most recent year, most of which is invested in capital assets.
- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 9.2% in 2015 to \$21.8 million as a result of the combination of an increase in tax value of property, a decrease in overall tax rate, and recording incremental taxes for the first time.
- Various District construction projects underway at June 30, 2015 are projected at a total cost of \$43.3 million. The largest project is Hillcrest Jr. High School with an estimated cost of \$32.1 million.
- During 2015, the Building Authority of Murray City School District, a component unit of the District, issued \$7.0 million of lease revenue bonds.
- The District implemented new accounting and reporting standards for pensions resulting in a restatement of net position in the government-wide financial statements. The District now recognizes a liability for its proportionate share of unfunded obligations of defined benefit pension plans administered by Utah Retirement Systems.

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 40 of this report.

Supplementary information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligations to provide pension and other postemployment benefits to its employees and retirees. Required supplementary information can be found on pages 41 through 43 of this report.

The combining and individual statements and schedules referred to earlier in connection with governmental funds can be found on pages 44 through 52 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 53 through 58 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 \$54.3 million at the close of the most recent fiscal year.

MURRAY CITY SCHOOL DISTRICT'S Net Position
(in millions of dollars)
June 30, 2015 and 2014

	Governmental activities		Total change
	2015	2014	2015-2014
Current and other assets	\$ 61.0	\$ 69.7	\$ (8.7)
Capital assets	95.8	77.0	18.8
Total assets	156.8	146.7	10.1
Deferred outflows of resources	3.2	2.8	0.4
Current and other liabilities	10.6	10.3	0.3
Long-term liabilities outstanding	72.4	70.1	2.3
Total liabilities	83.0	80.4	2.6
Deferred inflows of resources	22.7	19.1	3.6
Net position:			
Net investment in capital assets	48.1	41.0	7.1
Restricted	10.6	16.0	(5.4)
Unrestricted	(4.4)	(7.0)	2.6
Total net position	\$ 54.3	\$ 50.0	\$ 4.3

- The largest portion of the District’s net position (48.1 million) reflects its investment in capital assets (e.g., land, buildings, and equipment net of accumulated depreciation) less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District’s net position (10.6 million) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining net position (a deficit of \$4.4 million) is unrestricted. This balance includes the District’s proportionate share of the unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems. This liability is recognized as a result of the implementing new accounting and reporting standards. This implementation resulted in a restatement of net position in the government-wide financial statements. The existence of an unrestricted net position deficit indicates the District’s overall economic net position, but it does not necessarily reflect positively or negatively on the District’s ability to meet its obligations as they come due.
- Restricted net position decreased by \$5.4 million during the current year. This decrease resulted primarily from a decrease in unspent property tax revenues restricted for capital projects.

The District's net position increased by \$4.3 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, 2015 are as follows:

MURRAY CITY SCHOOL DISTRICT'S Changes in Net Position

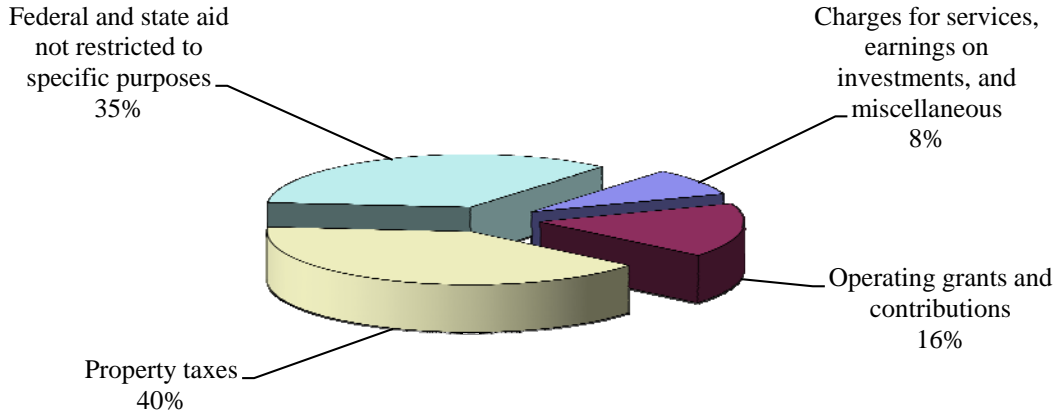
(in millions of dollars)

Years Ended June 30, 2015 and 2014

	Governmental activities		Total change
	2015	2014	2015-2014
Revenues:			
Program revenues:			
Charges for services	\$ 2.8	\$ 2.7	\$ 0.1
Operating grants and contributions	8.9	10.4	(1.5)
General revenues:			
Property taxes	21.8	20.1	1.7
Federal and state aid not restricted to specific purposes	18.7	17.9	0.8
Earnings on investments	0.2	0.4	(0.2)
Miscellaneous	1.5	2.2	(0.7)
Total revenues	53.9	53.7	0.2
Expenses:			
Instruction	30.6	31.8	(1.2)
Supporting services:			
Students	1.8	2.1	(0.3)
Instructional staff	1.3	1.2	0.1
General administration	0.9	0.8	0.1
School administration	2.5	2.6	(0.1)
Central	1.5	1.8	(0.3)
Operation and maintenance of facilities	4.1	4.4	(0.3)
Student transportation	1.0	1.2	(0.2)
School lunch services	2.0	2.1	(0.1)
Community services	2.4	0.9	1.5
Interest on long-term liabilities	1.5	1.5	-
Total expenses	49.6	50.4	(0.8)
Change in net position	4.3	3.3	1.0
Net position - beginning	50.0	65.7	(15.7)
Net effect of prior period restatement	-	(19.0)	19.0
Net position - ending	\$ 54.3	\$ 50.0	\$ 4.3

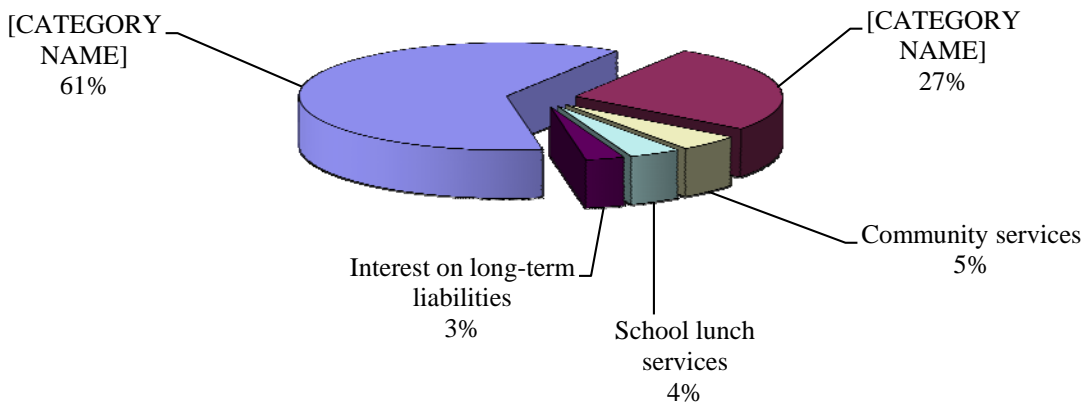
- State aid remained constant compared to the prior year. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that, if local taxes do not provide money equal to the amount generated by the WPU, it will make up the difference with state funding. The value of the WPU increased by 2.5% during the year ended June 30, 2015 (\$2,972 during 2015 as compared to \$2,899 in 2014).
- Property tax revenue increased to \$21.8 million or by 9.2%. This increase was a result of the combination of an increase in tax value of property, a decrease in overall tax rate, and recording incremental taxes for the first time.

**Murray City School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2015**



- Instruction represents the largest dollar portion of expenses of \$30.5 million primarily for teacher salaries and related benefits.

**Murray City School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2015**



Financial Analysis of the District's Funds

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

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$28.7 million, \$11.1 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 \$38.7 million, a decrease of 4.5% during the current fiscal year. This compares to a 6.7% increase in 2014. Instruction represents 67.2% of *general fund* expenditures.
- *General fund* salaries totaled \$24.4 million while the associated employee benefits of retirement, social security, and insurance added \$11.0 million to arrive at 91.3% of total *general fund* expenditures. This compares to 88.1% in 2014.
- The *capital projects fund* balance decreased by \$12.6 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, 2015, the District's combined governmental fund balance is \$28.7 million (\$0.6 million in nonspendable, \$15.8 million in restricted, \$9.3 million in committed, and \$3.0 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 \$0.9 million or 2.1% in total *general fund* revenues to account for anticipated increases in property tax collections and increases in state and federal revenues.

Actual expenditures were \$3.6 million less than final budgeted amounts. The most significant positive variance was \$1.9 million in instructional staff. Conversely, revenues were \$2.0 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, 2015 amounts to \$95.8 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 \$18.8 million or 24.4% primarily due to construction projects.

Capital assets at June 30, 2015 and 2014 are outlined below:

MURRAY CITY SCHOOL DISTRICT'S Capital Assets
(net of accumulated depreciation, in millions of dollars)
June 30, 2015 and 2014

	Governmental activities		Total
	2015	2014	change 2015-2014
Land	\$ 17.7	\$ 17.7	\$ -
Construction in progress	38.4	19.9	18.5
Buildings	38.4	38.0	0.4
Equipment	1.3	1.4	(0.1)
Total capital assets	<u>\$ 95.8</u>	<u>\$ 77.0</u>	<u>\$ 18.8</u>

The cost of various District construction projects underway at June 30, 2015 are projected at a total cost of \$43.3 million. The largest project is Hillcrest Jr. High School with an estimated cost of \$32.1 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 \$52.7 million (net of unamortized amounts for bond issuance premiums). Payment is backed by the full faith and credit of the District as well as the State of Utah under provisions of The Guaranty Act. The District's total debt increased by \$4.9 million. This increase was a result of the issuance of \$7.0 million of lease revenue bonds as well of principal payments on bond outstanding.

MURRAY CITY SCHOOL DISTRICT'S Outstanding Debt
(net of accumulated amortization, in millions of dollars)
June 30, 2015 and 2014

	Governmental activities		Total
	2015	2014	change 2015-2014
Net general obligation bonds	\$ 45.7	\$ 47.8	\$ (2.1)
Lease revenue bonds payable	7.0	-	7.0
Total outstanding debt	<u>\$ 52.7</u>	<u>\$ 47.8</u>	<u>\$ 4.9</u>

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2015 is \$170.7 million. Net general obligation debt at June 30, 2015 is \$45.7 million, resulting in a legal debt margin of \$125.0 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, 2015

	Governmental Activities
Assets:	
Cash and investments	\$ 37,560,982
Receivables:	
Property taxes	21,295,069
Other local	139,808
State of Utah	243,508
Federal government	729,508
Inventories	738,547
Net OPEB asset	259,073
Net pension asset	11,167
Capital assets:	
Land and construction in progress	56,137,065
Buildings and equipment, net of accumulated depreciation	39,668,319
Total assets	156,783,046
Deferred outflows of resources:	
Deferred amounts on refunding	481,902
Related to pensions	2,762,584
Total deferred outflows of resources	3,244,486
Liabilities:	
Accounts payable	3,894,509
Accrued interest	660,735
Accrued salaries and benefits	5,057,777
Unearned revenue:	
Local	58,498
State of Utah	857,831
Federal government	47,198
Noncurrent liabilities:	
Due and payable within one year	2,644,432
Due and payable after one year	69,722,084
Total liabilities	82,943,064
Deferred inflows of resources:	
Property taxes levied for future year	20,998,960
Related to pensions	1,737,631
Total deferred inflows of resources	22,736,591
Net position:	
Net investment in capital assets	48,136,484
Restricted for:	
Debt service	1,715,988
Capital projects	8,353,011
School lunch services	533,623
Unrestricted	(4,391,229)
Total net position	\$ 54,347,877

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

MURRAY CITY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2015

<u>Activities and Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 30,548,060	\$ 1,689,188	\$ 5,929,890	\$ (22,928,982)
Supporting services:				
Students	1,837,703	-	504,785	(1,332,918)
Instructional staff	1,263,491	-	273,959	(989,532)
General administration	852,698	-	120,730	(731,968)
School administration	2,538,263	-	91	(2,538,172)
Central	1,480,253	-	-	(1,480,253)
Operation and maintenance of facilities	4,074,009	41,345	33,417	(3,999,247)
Student transportation	1,038,743	17,874	349,853	(671,016)
School lunch services	1,968,021	632,683	1,584,727	249,389
Community services	2,424,603	408,177	117,612	(1,898,814)
Interest on long-term liabilities	1,502,680	-	-	(1,502,680)
Total school district	<u>\$ 49,528,524</u>	<u>\$ 2,789,267</u>	<u>\$ 8,915,064</u>	<u>(37,824,193)</u>
General revenues:				
Property taxes levied for:				
Basic				4,595,433
Voted local				5,783,964
Board local				3,552,636
Debt service				4,135,567
Capital local				2,160,081
Tax increment				<u>1,572,249</u>
Total property taxes				21,799,930
Federal and state aid not restricted to specific purposes				18,700,055
Earnings on investments				204,058
Miscellaneous				<u>1,462,123</u>
Total general revenues				<u>42,166,166</u>
Change in net position				4,341,973
Net position - beginning, as restated				<u>50,005,904</u>
Net position - ending				<u>\$ 54,347,877</u>

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

MURRAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	<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>		
Assets:					
Cash and investments	\$ 15,433,095	\$ 2,319,832	\$ 16,159,929	\$ 2,591,452	\$ 36,504,308
Receivables:					
Property taxes	15,424,736	108,407	3,852,752	1,909,174	21,295,069
Other local	106,555	-	17,848	15,405	139,808
State of Utah	149,154	-	-	94,354	243,508
Federal government	665,967	-	30,958	32,583	729,508
Inventories	738,547	-	-	-	738,547
Total assets	<u>\$ 32,518,054</u>	<u>\$ 2,428,239</u>	<u>\$ 20,061,487</u>	<u>\$ 4,642,968</u>	<u>\$ 59,650,748</u>
Liabilities:					
Accounts payable	\$ 274,946	\$ -	\$ 3,331,052	\$ 12,197	\$ 3,618,195
Accrued salaries and benefits	5,029,791	-	-	27,986	5,057,777
Unearned revenue:					
Local	20,819	-	-	37,679	58,498
State of Utah	845,423	-	-	12,408	857,831
Federal government	2,135	-	-	45,063	47,198
Total liabilities	<u>6,173,114</u>	<u>-</u>	<u>3,331,052</u>	<u>135,333</u>	<u>9,639,499</u>
Deferred inflows of resources:					
Unavailable property tax revenue	227,590	67,557	35,286	-	330,433
Property taxes levied for future year	15,233,080	51,516	3,805,190	1,909,174	20,998,960
Total deferred inflows of resources	<u>15,460,670</u>	<u>119,073</u>	<u>3,840,476</u>	<u>1,909,174</u>	<u>21,329,393</u>
Fund balances:					
Nonspendable:					
Inventories	738,547	-	-	-	738,547
Restricted for:					
Debt service	-	2,309,166	-	-	2,309,166
Other capital projects	-	-	12,889,959	-	12,889,959
School lunch services	-	-	-	533,623	533,623
Committed to:					
Economic stabilization	2,000,000	-	-	-	2,000,000
Employee and retiree benefits	5,238,358	-	-	-	5,238,358
Community recreation	-	-	-	182,785	182,785
Foundation programs	-	-	-	1,005,518	1,005,518
Student activities	-	-	-	876,535	876,535
Unassigned	2,907,365	-	-	-	2,907,365
Total fund balances	<u>10,884,270</u>	<u>2,309,166</u>	<u>12,889,959</u>	<u>2,598,461</u>	<u>28,681,856</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,518,054</u>	<u>\$ 2,428,239</u>	<u>\$ 20,061,487</u>	<u>\$ 4,642,968</u>	<u>\$ 59,650,748</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, 2015

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

Total fund balances for governmental funds \$ 28,681,856

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	\$ 56,137,065	
Buildings, net of \$24,606,411 accumulated depreciation	38,367,832	
Equipment, net of \$3,055,397 accumulated depreciation	<u>1,300,487</u>	95,805,384

The net pension asset is not an available resource and therefore is not reported in the governmental funds. 11,167

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. 330,433

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

General obligation bonds payable	(42,665,000)	
Unamortized bond issuance premiums	(3,058,036)	
Unamortized deferred amounts on refunding	481,902	
Lease revenue bonds payable	(7,000,000)	
Accrued interest	(660,735)	
Compensated absences payable	(131,310)	
Net pension liability	(18,511,878)	
Deferred outflows of resources related to pensions	2,762,584	
Deferred inflows of resources related to pensions	(1,737,631)	
Early retirement benefits payable	<u>(1,000,292)</u>	(71,520,396)

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

1,039,433

Total net position of governmental activities

\$ 54,347,877

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, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Local sources:					
Property taxes	\$ 13,085,134	\$ 3,884,020	\$ 3,327,800	\$ 1,572,249	\$ 21,869,203
Earnings on investments	46,091	10,242	134,565	9,098	199,996
School lunch sales	-	-	-	616,386	616,386
Other local sources	1,103,353	-	7,797	2,003,233	3,114,383
State sources	23,464,081	-	-	618,381	24,082,462
Federal sources	2,036,473	-	174,359	1,321,825	3,532,657
Total revenues	<u>39,735,132</u>	<u>3,894,262</u>	<u>3,644,521</u>	<u>6,141,172</u>	<u>53,415,087</u>
Expenditures:					
Current:					
Instruction	26,021,870	-	539,670	1,916,164	28,477,704
Supporting services:					
Students	1,910,815	-	2,510	-	1,913,325
Instructional staff	1,305,622	-	3,433	-	1,309,055
General administration	772,274	-	-	-	772,274
School administration	2,598,100	-	-	96	2,598,196
Central	1,363,418	-	136,197	-	1,499,615
Operation and maintenance of facilities	3,498,596	-	475,547	22,568	3,996,711
Student transportation	789,440	-	148,731	-	938,171
School lunch services	-	-	-	2,088,104	2,088,104
Community services	478,655	-	-	1,972,020	2,450,675
Capital outlay	-	-	21,805,103	-	21,805,103
Debt service:					
Principal retirement	-	1,925,000	-	-	1,925,000
Interest and other charges	-	1,592,805	65,988	-	1,658,793
Bond issuance cost	-	-	94,149	-	94,149
Total expenditures	<u>38,738,790</u>	<u>3,517,805</u>	<u>23,271,328</u>	<u>5,998,952</u>	<u>71,526,875</u>
Excess (deficiency) of revenues over (under) expenditures	996,342	376,457	(19,626,807)	142,220	(18,111,788)
Other financing sources:					
Proceeds from lease revenue bonds	-	-	7,000,000	-	7,000,000
Net change in fund balances	996,342	376,457	(12,626,807)	142,220	(11,111,788)
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 10,884,270</u>	<u>\$ 2,309,166</u>	<u>\$ 12,889,959</u>	<u>\$ 2,598,461</u>	<u>\$ 28,681,856</u>

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, 2015

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 \$ (11,111,788)

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	\$ 20,385,008	
Loss on disposal of capital assets	(11,349)	
Depreciation expense	<u>(1,595,315)</u>	18,778,344

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	1,925,000	
Proceeds from lease revenue bonds	(7,000,000)	
Interest expense - general obligation bonds	20,411	
Amortization of bond premium	173,097	
Amortization of deferred amounts on refunding	<u>(37,395)</u>	(4,918,887)

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. (69,273)

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	(44,062)	
Early retirement benefits	(90,969)	
Pension expense	<u>1,511,613</u>	1,376,582

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. 286,995

Change in net position of governmental activities \$ 4,341,973

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
Property taxes	\$ 13,051,343	\$ 13,209,631	\$ 13,085,134	\$ (124,497)
Earnings on investments	170,000	45,000	46,091	1,091
Other	914,456	1,368,143	1,103,353	(264,790)
State sources	24,297,318	24,653,764	23,464,081	(1,189,683)
Federal sources	2,397,993	2,408,648	2,036,473	(372,175)
Total revenues	<u>40,831,110</u>	<u>41,685,186</u>	<u>39,735,132</u>	<u>(1,950,054)</u>
Expenditures:				
Current:				
Instruction	27,476,451	27,971,178	26,021,870	1,949,308
Supporting services:				
Student	2,156,636	2,108,590	1,910,815	197,775
Instructional staff	1,723,713	1,753,412	1,305,622	447,790
General administration	840,345	835,567	772,274	63,293
School administration	2,659,507	2,660,944	2,598,100	62,844
Central	1,398,621	1,379,120	1,363,418	15,702
Operation and maintenance of facilities	3,799,737	4,169,079	3,498,596	670,483
Student transportation	893,550	868,106	789,440	78,666
Community services	545,973	551,201	478,655	72,546
Capital outlay	1,576	626	-	626
Total expenditures	<u>41,496,109</u>	<u>42,297,823</u>	<u>38,738,790</u>	<u>3,559,033</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(664,999)	(612,637)	996,342	1,608,979
Fund balances - beginning	<u>9,887,928</u>	<u>9,887,928</u>	<u>9,887,928</u>	<u>-</u>
Fund balances - ending	<u>\$ 9,222,929</u>	<u>\$ 9,275,291</u>	<u>\$ 10,884,270</u>	<u>\$ 1,608,979</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, 2015

	Governmental Activities - Internal Service Fund
	<u> </u>
Assets:	
Cash and investments	\$ 1,056,674
Net OPEB asset	<u>259,073</u>
Total assets	<u>1,315,747</u>
Liabilities:	
District retirement benefit	<u>276,314</u>
Net position, unrestricted	<u><u>\$ 1,039,433</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, 2015

	<u>Governmental Activities - Internal Service Fund</u>
Revenues:	
Charges for services	\$ 691,321
Expenses:	
Supporting services:	
Health care benefits	337,584
Benefit payouts	70,804
Total expenses	<u>408,388</u>
Operating income	282,933
Nonoperating revenue:	
Earnings on investments	<u>4,062</u>
Change in net position	286,995
Net position - beginning	<u>752,438</u>
Net position - ending	<u><u>\$ 1,039,433</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, 2015

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Insurance premiums received from users	\$ 691,321
Cash paid to insurance provider	(337,584)
Cash paid to retirees	(142,981)
Net cash used by operating activities	<u>210,756</u>
Cash flows from investing activities:	
Interest received on investments	<u>4,062</u>
Change in cash and cash equivalents	214,818
Cash and cash equivalents - beginning	<u>841,856</u>
Cash and cash equivalents - ending	<u><u>\$ 1,056,674</u></u>
Displayed on statement of fund net position as cash and investments	<u><u>\$ 1,056,674</u></u>
A reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 282,933
Decrease in district retirement benefit	14,805
Increase in net OPEB asset	(86,982)
Net cash used by operating activities	<u><u>\$ 210,756</u></u>

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The District is not a component unit of any other primary government.

As required by GAAP, these financial statements present the activities of the District and its component units, the Murray Foundation (the Foundation) and the Municipal Building Authority of the Murray City School District (the Building Authority), for which the District is financially accountable. The District is not a component unit of any other primary government. Although legally separate entities, blended component units are, in substance, part of the District's operations

- The Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Board of Education. The Foundation exclusively services the District. The Foundation is presented as a special revenue fund of the District.
- The Building Authority has the same board as the District and provides financing services exclusively to the District. The District has committed resources to service debt obligations of the Building Authority. The Building Authority is reported with the governmental funds of the District.

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

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

The *fund financial statements* provide information about the District's funds, including its blended component unit. Separate statements for each fund category (governmental and proprietary) are presented.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal service.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type:

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

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

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

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

requirements have been met. All other revenue items are considered measurable and available only when cash is received by the District.

Budgetary data – The District operates within the budget requirements for school districts as specified by state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds except the *Murray Education Foundation special revenue fund*. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance commitment. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when additional data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2015, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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

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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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

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

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

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

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

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

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

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

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

Deferred outflows/inflows of resources – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred*

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following sources that qualify for reporting in this category:

- Deferred charge on refunding – results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments and b) District contributions subsequent to the measurement date of December 31, 2014.

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

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.
- Property taxes levied for future year – property taxes levied on January 1, 2015 for the following school year.
- Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience and b) changes of assumptions in the measurement of the net pension liability/asset.

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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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through constitutional provisions or enabling legislation. Restricted fund balance amounts include unspent tax revenue for specific purposes (debt service and capital projects) and amounts in other governmental funds (*school lunch fund*).

- Committed – This category includes amounts that can only be used for specific purposes established by formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
 - a) As defined in Utah law as an “undistributed reserve,” the District maintains for economic stabilization up to five percent of *general fund* budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees” and the use of this reserve requires a written resolution adopted by a majority vote of the Board of Education filed with the Utah State Board of Education and the Utah State Auditor.
 - b) The District has committed *general fund* resources for compensated absences and retirement benefits for employees and early retirement and health care benefits for eligible retirees.
 - c) The District has committed other governmental fund resources to support District activities at schools including athletics, textbooks, field trips, music programs, book fairs, and school plays.
 - d) The District has committed other governmental fund resources for community recreation programs.
 - e) The District has committed other governmental fund resources to the Murray Education Foundation to be used for fund raising, operations, schools, and other purposes.
- Unassigned – Residual balances in the *general fund* are classified as unassigned.

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.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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2. DEPOSITS AND INVESTMENTS

The District complies with the State Money Management Act (Utah Code Title 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the PTIF, certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

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

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

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

The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer. The portfolio has a weighted average maturity of 90 days or less. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2015 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, 2015, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 2,006,490
Carrying amount of investments	<u>35,554,492</u>
Total deposits and investments	<u><u>\$ 37,560,982</u></u>
Cash and investments - governmental funds, balance sheet	\$ 36,504,308
Cash and investments - internal service funds, statement of fund net position	<u>1,056,674</u>
Total cash and investments	<u><u>\$ 37,560,982</u></u>

Deposits – At June 30, 2015, the District and Foundation have the following deposits with financial institutions:

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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	Carrying Amount	Bank Balance	Amount Insured
Murray City School District	\$ 1,785,212	\$ 2,057,833	\$ 250,000
Murray Education Foundation	221,278	220,912	220,912
	<u>\$ 2,006,490</u>	<u>\$ 2,278,745</u>	<u>\$ 470,912</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, 2015, the District’s bank deposits were uncollateralized nor is it required by law.

Investments – At June 30, 2015, the District and Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Murray City School District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 34,770,252	\$ 34,770,252	\$ -	\$ -	\$ -
Murray Education Foundation:					
Utah Public Treasurers' Investment Fund (PTIF)	762,293	762,293	-	-	-
Government bonds	21,947	-	-	-	21,947
Total investments	<u>\$ 35,554,492</u>	<u>\$ 35,532,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,947</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, 2015, 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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

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

3. PROPERTY TAXES

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

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

As of June 30, 2015, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2015 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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

During the year ended June 30, 2015, incremental taxes levied by the District for the redevelopment agencies totaling \$1,572,249 were recorded as revenue with an equivalent amount of expenditure for community services in the other governmental funds (in the *incremental tax fund*).

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 17,741,806	\$ -	\$ -	\$ 17,741,806
Construction in progress	19,916,787	20,134,083	(1,655,611)	\$ 38,395,259
Total capital assets, not being depreciated	37,658,593	20,134,083	(1,655,611)	56,137,065
Capital assets, being depreciated:				
Buildings	61,318,632	1,655,611	-	62,974,243
Equipment	4,599,354	250,925	(494,395)	4,355,884
Total capital assets, being depreciated	65,917,986	1,906,536	(494,395)	67,330,127
Accumulated depreciation for:				
Buildings	(23,304,547)	(1,301,864)	-	(24,606,411)
Equipment	(3,244,992)	(293,451)	483,046	(3,055,397)
Total accumulated depreciation	(26,549,539)	(1,595,315)	483,046	(27,661,808)
Total capital assets being depreciated, net	39,368,447	311,221	(11,349)	39,668,319
Governmental activities capital assets, net	\$ 77,027,040	\$ 20,445,304	\$ (1,666,960)	\$ 95,805,384

For the year ended June 30, 2015, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 1,149,614
Supporting services:	
District administration	12,216
School administration	51,646
Operation and maintenance of facilities	32,590
Student transportation	146,587
Central	117,658
School lunch services	85,004
Total depreciation expense, governmental activities	\$ 1,595,315

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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The District is obligated at June 30, 2015 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Hillcrest Jr. High	\$ 32,086,532	\$ 30,342,523	\$ 1,744,009
Murray Administrative Facilities	8,880,604	6,608,227	2,272,377
Parkside Elementary	869,266	464,178	405,088
McMillian Elementary	994,704	524,756	469,948
Other projects	509,318	455,575	53,743
Total	<u>\$ 43,340,424</u>	<u>\$ 38,395,259</u>	<u>\$ 4,945,165</u>

5. STATE RETIREMENT PLANS

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

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

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

Defined Contribution Plans (individual account plans):

- 401(k) Plan
- 457 Plan and other individual plans

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

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits are determined from 1.5% to 2.0% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan. Employees are eligible to retire based on years of service and age.

Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions – As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Defined benefit pension plan contribution rates for the year ended December 31, 2014 were from 18.27% to 22.70%. Defined contribution plan contribution rates for the year ended December 31, 2014 were from 1.50% to 10.00%. Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended December 31, 2014, District and employee contributions to the plans were as follows:

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 4,464,539	\$ -
Tier 1 Contributory System	7,929	479
Tier 2 Contributory System	152,033	-
401(k) Plan	483,857	536,384
457 Plan and other individual plans	-	94,320

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2015, the District reported a net pension asset of \$11,167 and a net pension liability of \$18,511,878. The net pension asset and liability were measured as of December 31, 2014, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2014. The District’s proportion of the net pension asset and liability were based on a projection of the District’s long-term share of contributions to the defined benefit pension plans relative to the projected contributions of all participating employers. At December 31, 2014, the District’s proportionate shares in the defined benefit pension plans were as follows:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	0.7362124%	\$ -	\$ 18,497,548
Tier 1 Contributory System	0.1306940%	-	14,330
Tier 2 Contributory System	0.3684997%	11,167	-
Total		\$ 11,167	\$ 18,511,878

For the year ended December 31, 2014, the District recognized pension expense of \$3,314,684 for the defined benefit pension plans and of \$483,857 for the defined contribution plans. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,118,829
Changes of assumptions	-	618,802
Net difference between projected and actual earnings on pension plan investments	322,451	-
District contributions subsequent to the measurement date	2,440,133	-
Total	<u>\$ 2,762,584</u>	<u>\$ 1,737,631</u>

The \$2,440,133 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2016	\$ (366,317)
2017	(366,317)
2018	(366,317)
2019	(304,020)
2020	(1,953)
Thereafter	(10,256)

Actuarial assumptions – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates for retired educators were developed from actual experience, based on gender, occupation, and age, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013.

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

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability	\$ 37,055,668	\$ 18,500,711	\$ 2,967,807

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

Payables to the pension plans – At June 30, 2015, the District reported payables of \$1,153,757 for contributions to defined benefit pension plans and defined contribution plans.

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

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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.

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, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds payable	\$ 44,590,000	\$ -	\$ (1,925,000)	\$ 42,665,000	\$ 2,025,000
Bond premium	3,231,133	-	(173,097)	3,058,036	-
Total bonds payable, net	47,821,133	-	(2,098,097)	45,723,036	2,025,000
Lease revenue bond payable:					
Lease revenue bonds payable	-	7,000,000	-	7,000,000	-
Lease revenue bonds discount	-	7,000,000	-	7,000,000	-
Compensated absences payable	87,248	172,584	(128,522)	131,310	131,310
Early retirement benefits payable	909,323	558,180	(467,211)	1,000,292	488,122
Net Pension Liability	21,270,360	2,067,815	(4,826,297)	18,511,878	-
Total governmental activity long-term liabilities	<u>\$ 70,088,064</u>	<u>\$ 9,798,579</u>	<u>\$ (7,520,127)</u>	<u>\$ 72,366,516</u>	<u>\$ 2,644,432</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, 2015, including interest payments are listed as follows:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2015, including interest payments are listed as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,350,000	1,162,250	3,512,250
2021-2025	11,090,000	4,231,450	15,321,450
2026-2030	12,380,000	2,389,650	14,769,650
2031-2033	8,355,000	506,400	8,861,400
Total	<u>\$ 42,665,000</u>	<u>\$ 13,861,075</u>	<u>\$ 56,526,075</u>

General obligation bonds – General obligation school building bonds payable at June 30, 2015 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%	\$ 40,740,000
\$19,140,000 general obligation refunding bonds, issued October 15, 2002, maturing August 1, 2015, interest at 5.0%	<u>1,925,000</u>
	<u>\$ 42,665,000</u>

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2015 is about \$170.7 million. Net general obligation debt at June 30, 2015 is \$45.7 million, resulting in a legal debt margin of about \$125.0 million.

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

The annual requirements to amortize all lease revenue bonds outstanding as of June 30, 2015, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 147,550	\$ 147,550
2017	436,000	147,550	583,550
2018	441,000	142,187	583,187
2019	448,000	135,218	583,218
2020	456,000	126,797	582,797
2021-2025	2,462,000	453,744	2,915,744
2026-2030	2,757,000	157,431	2,914,431
Total	<u>\$ 7,000,000</u>	<u>\$ 1,310,477</u>	<u>\$ 8,310,477</u>

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

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 \$467,211 in direct payments to retirees under this option for the year ended June 30, 2015.

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, 2015 is estimated at \$368,496; 20 employees are eligible to receive these benefits. Amounts paid annually have approximated the average annual cost of the benefit. Amounts payable at June 30, 2015 totaled \$276,314. The District retirement benefit is serviced by the lifetime insurance internal service fund.

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, 2015, the District’s annual OPEB cost (expense) was \$337,584.

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:

MURRAY CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Annual required contribution	\$ 333,615
Interest on net OPEB obligation	(6,884)
Adjustment to annual required contribution	<u>10,853</u>
Annual OPEB cost (expense)	337,584
Contributions made	<u>(424,566)</u>
Increase in net OPEB asset	(86,982)
Net OPEB asset - beginning	<u>(172,091)</u>
Net OPEB asset - ending	<u><u>\$ (259,073)</u></u>

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
2015	\$ 337,584	\$ 424,566	125.8%	\$ (259,073)
2014	314,751	401,832	127.7%	(172,091)
2013	319,239	407,626	127.7%	(85,010)

Funded status and funding progress – The funded status of the plan as of June 30, 2015 is as follows:

Actuarial accrued liability (AAL)	\$ 5,086,619
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 5,086,619</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	-
UAAL as a percentage of covered payroll	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the basic financial statements, presents the results of OPEB valuations as of July 1, 2014, 2012, and 2010, and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 4.6% after seventy-one years. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the District has not advance funded its obligation. The UAAL is being amortized as a level dollar amount over an open twenty-five year period.

9. LITIGATION AND LEGAL COMPLIANCE

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

10. GRANTS

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

11. RESTATEMENT

In 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*.

The new standards require the District to recognize a liability in its government-wide financial statements for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plans as administered by Utah Retirement Systems)—the collective net pension liability. The District is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. District contributions to the pension plans subsequent to the measurement date (December 31) of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

The governmental fund financial statements of the District are not affected by these new standards. Pension expenditures in the governmental funds continue to be recognized equal to the total of a) amounts paid by the District to the pension plans and b) the change between the beginning and ending balances of amounts of contributions currently payable to the pensions.

The beginning net position reported in the government-wide financial statements of the District has been restated to reflect the new Statements as follows:

MURRAY CITY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Beginning net position, as previously stated	\$ 68,993,275
Net pension asset	496
Net pension liability	(21,270,360)
Deferred outflows of resources related to pensions	<u>2,282,493</u>
Beginning net position, as restated	<u>\$ 50,005,904</u>

The notes to the basic financial statements now include additional information about the defined benefit pension plans. Also, the District will be presenting in required supplementary information 10-year schedules containing a) the net pension liability and certain related ratios and b) information about statutorily required contributions, contributions to the pension plans, and related ratios. Because this is the first year such information is available, only one year of required supplementary information is presented with these financial statements; information for additional years will be presented in future reports as it becomes available.

The District's unrestricted net position at June 30, 2015 is a deficit balance of \$4.4 million. This balance includes the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by URS as described in Note 5 to the basic financial statements. The existence of an unrestricted net position deficit indicates the District's overall economic net position, but it does not necessarily reflect positively or negatively on the District's ability to meet its obligations as they come due.

Required Supplementary Information

MURRAY CITY SCHOOL DISTRICT
Schedule of Funding Progress
Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Ratio Funded (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2014	\$ -	\$ 5,086,619	\$ 5,086,619	0.0%	\$ -	0.0%
July 1, 2012	-	5,103,407	5,103,407	0.0%	-	0.0%
July 1, 2010	-	6,225,584	6,225,584	0.0%	-	0.0%

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.

MURRAY CITY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Year Ended December 31, 2014

	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Contributory System
District's proportion of the net pension liability (asset)	0.7362124%	0.1306940%	0.3684997%
District's proportion share of the net pension liability (asset)	\$ 18,497,548	\$ 14,330	\$ (11,167)
District's covered employee payroll	\$ 21,075,854	\$ 47,918	\$ 1,804,057
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.8%	29.9%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	98.7%	103.5%

Note: The schedule only presents information for 2014; prior-year information is not available.

MURRAY CITY SCHOOL DISTRICT
Schedule of District Contributions
Utah Retirement Systems
Year Ended December 31, 2014

	<u>Tier 1 Noncontributory System</u>	<u>Tier 1 Contributory System</u>	<u>Tier 2 Contributory System</u>
Contractually required contribution			
Contributions in relation to the contractually required contribution	\$ 4,464,539	\$ 7,929	\$ 152,033
Contribution deficiency (excess)	<u>(4,464,539)</u>	<u>(7,929)</u>	<u>(152,033)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll			
Contributions as a percentage of covered-employee payroll	\$ 21,075,854 21.2%	\$ 47,918 16.5%	\$ 1,804,057 8.4%

Notes: The schedule only presents information for 2014; prior-year information is not available.

Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

**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, 2015
With Comparative Totals for 2014

	2015			2014
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 13,209,631	\$ 13,085,134	\$ (124,497)	\$ 13,072,096
Earnings on investments	45,000	46,091	1,091	221,667
Other	1,368,143	1,103,353	(264,790)	1,815,282
State sources	24,653,764	23,464,081	(1,189,683)	23,424,024
Federal sources	2,408,648	2,036,473	(372,175)	2,140,924
Total revenues	<u>41,685,186</u>	<u>39,735,132</u>	<u>(1,950,054)</u>	<u>40,673,993</u>
Expenditures:				
Current:				
Salaries	25,750,210	24,380,340	1,369,870	24,570,978
Employee benefits	11,434,192	10,993,157	441,035	11,161,067
Purchased services	1,725,260	1,230,401	494,859	1,408,627
Supplies	3,171,237	2,042,858	1,128,379	2,612,913
Property	112,820	63,591	49,229	730,399
Other objects	104,104	28,443	75,661	71,710
Total expenditures	<u>42,297,823</u>	<u>38,738,790</u>	<u>3,559,033</u>	<u>40,555,694</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(612,637)	996,342	1,608,979	118,299
Fund balances - beginning	<u>9,887,928</u>	<u>9,887,928</u>	<u>-</u>	<u>9,769,629</u>
Fund balances - ending	<u>\$ 9,275,291</u>	<u>\$ 10,884,270</u>	<u>\$ 1,608,979</u>	<u>\$ 9,887,928</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2015
With Comparative Totals for 2014

	2015			2014
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 3,572,250	\$ 3,884,020	\$ 311,770	\$ 3,850,559
Earnings on investments	10,000	10,242	242	9,028
Total revenues	<u>3,582,250</u>	<u>3,894,262</u>	<u>312,012</u>	<u>3,859,587</u>
Expenditures:				
Principal retirement	1,950,000	1,925,000	25,000	1,835,000
Interest and other charges	<u>1,632,250</u>	<u>1,592,805</u>	<u>39,445</u>	<u>1,680,946</u>
Total expenditures	<u>3,582,250</u>	<u>3,517,805</u>	<u>64,445</u>	<u>3,515,946</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	376,457	376,457	343,641
Fund balances - beginning	<u>1,932,709</u>	<u>1,932,709</u>	<u>-</u>	<u>1,589,068</u>
Fund balances - ending	<u><u>\$ 1,932,709</u></u>	<u><u>\$ 2,309,166</u></u>	<u><u>\$ 376,457</u></u>	<u><u>\$ 1,932,709</u></u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2015
With Comparative Totals for 2014

	2015			2014
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 3,265,914	\$ 3,327,800	\$ 61,886	\$ 3,166,176
Earnings on investments	100,000	134,565	34,565	200,966
Other	5,000,000	7,797	(4,992,203)	450,000
State sources	120,000	-	(120,000)	-
Federal sources	-	174,359	174,359	802,690
Total revenues	<u>8,485,914</u>	<u>3,644,521</u>	<u>(4,841,393)</u>	<u>4,619,832</u>
Expenditures:				
Current:				
Purchased services	22,178,321	20,761,445	1,416,876	20,053,266
Supplies	510,514	389,677	120,837	397,939
Property	4,153,985	1,960,069	2,193,916	686,400
Debt service:				
Interest and other charges		65,988	(65,988)	-
Bond issuance costs	-	94,149	(94,149)	-
Total expenditures	<u>26,842,820</u>	<u>23,271,328</u>	<u>3,571,492</u>	<u>21,137,605</u>
Deficiency of revenues under expenditures / net change in fund balances	(18,356,906)	(19,626,807)	(1,269,901)	(16,517,773)
Other financing sources (uses):				
Proceeds from lease revenue bonds	-	7,000,000	7,000,000	-
Total other financing sources (uses)	-	7,000,000	7,000,000	-
Net change in fund balances	(18,356,906)	(12,626,807)	5,730,099	(16,517,773)
Fund balances - beginning	<u>25,516,766</u>	<u>25,516,766</u>	<u>-</u>	<u>42,034,539</u>
Fund balances - ending	<u>\$ 7,159,860</u>	<u>\$ 12,889,959</u>	<u>\$ (1,269,901)</u>	<u>\$ 25,516,766</u>

MURRAY CITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue					Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	Incremental Taxes	
Assets:						
Cash and investments	\$ 242,815	\$ 466,508	\$ 1,005,518	\$ 876,611	\$ -	\$ 2,591,452
Receivables:						
Property taxes	-	-	-	-	1,909,174	1,909,174
Other local	-	15,405	-	-	-	15,405
State of Utah	-	94,354	-	-	-	94,354
Federal government	23,135	9,448	-	-	-	32,583
Total assets	<u>\$ 265,950</u>	<u>\$ 585,715</u>	<u>\$ 1,005,518</u>	<u>\$ 876,611</u>	<u>\$ 1,909,174</u>	<u>\$ 4,642,968</u>
Liabilities:						
Accounts payable	\$ 1,907	\$ 10,214	\$ -	\$ 76	\$ -	\$ 12,197
Accrued salaries and benefits	23,787	4,199	-	-	-	27,986
Unearned revenue:						
Other local	-	37,679	-	-	-	37,679
State of Utah	12,408	-	-	-	-	12,408
Federal government	45,063	-	-	-	-	45,063
Total liabilities	<u>83,165</u>	<u>52,092</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>135,333</u>
Deferred inflows of resources:						
Property taxes levied for future years	-	-	-	-	1,909,174	1,909,174
Fund balances:						
Restricted for:						
School lunch services	-	533,623	-	-	-	533,623
Committed to:						
Community recreation	182,785	-	-	-	-	182,785
Foundation programs	-	-	1,005,518	-	-	1,005,518
Student activities	-	-	-	876,535	-	876,535
Total fund balances	<u>182,785</u>	<u>533,623</u>	<u>1,005,518</u>	<u>876,535</u>	<u>-</u>	<u>2,598,461</u>
Total liabilities and fund balances	<u>\$ 265,950</u>	<u>\$ 585,715</u>	<u>\$ 1,005,518</u>	<u>\$ 876,611</u>	<u>\$ 1,909,174</u>	<u>\$ 4,642,968</u>

MURRAY CITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue					Total Nonmajor Governmental Funds
	Non K-12 Programs	School Lunch	Murray Education Foundation	Student Activities	Incremental Tax	
Revenues:						
Local sources:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,572,249	\$ 1,572,249
Lunch sales	-	616,386	-	-	-	616,386
Earnings on investments	-	3,473	5,625	-	-	9,098
Other local revenues	312,223	16,297	84,566	1,590,147	-	2,003,233
State sources	268,286	350,095	-	-	-	618,381
Federal sources	87,193	1,234,632	-	-	-	1,321,825
Total revenues	<u>667,702</u>	<u>2,220,883</u>	<u>90,191</u>	<u>1,590,147</u>	<u>1,572,249</u>	<u>6,141,172</u>
Expenditures:						
Current:						
Instruction	299,879	-	78,387	1,537,898	-	1,916,164
Supporting services:						
School administration	96	-	-	-	-	96
Operation and maintenance of facilities	22,568	-	-	-	-	22,568
Community services	399,771	-	-	-	1,572,249	1,972,020
School lunch services	-	2,088,104	-	-	-	2,088,104
Total expenditures	<u>722,314</u>	<u>2,088,104</u>	<u>78,387</u>	<u>1,537,898</u>	<u>1,572,249</u>	<u>5,998,952</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(54,612)	132,779	11,804	52,249	-	142,220
Fund balances - beginning	<u>237,397</u>	<u>400,844</u>	<u>993,714</u>	<u>824,286</u>	<u>-</u>	<u>2,456,241</u>
Fund balances - ending	<u>\$ 182,785</u>	<u>\$ 533,623</u>	<u>\$ 1,005,518</u>	<u>\$ 876,535</u>	<u>\$ -</u>	<u>\$ 2,598,461</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, 2015
With Comparative Totals for 2014

	2015			2014
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ 22,806	\$ -	\$ (22,806)	\$ 12,992
Other local revenue	338,000	312,223	(25,777)	359,933
State sources	301,998	268,286	(33,712)	307,675
Federal sources	76,139	87,193	11,054	81,130
Total revenues	<u>738,943</u>	<u>667,702</u>	<u>(71,241)</u>	<u>761,730</u>
Expenditures:				
Current:				
Salaries	462,842	403,733	59,109	414,247
Employee benefits	154,349	135,898	18,451	136,809
Purchased services	57,570	63,205	(5,635)	86,373
Supplies	68,060	62,432	5,628	67,734
Property	1,394	-	1,394	-
Other objects	35,424	57,046	(21,622)	17,917
Total expenditures	<u>779,639</u>	<u>722,314</u>	<u>57,325</u>	<u>723,080</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(40,696)	(54,612)	(13,916)	38,650
Fund balances - beginning	<u>237,397</u>	<u>237,397</u>	<u>-</u>	<u>198,747</u>
Fund balances - ending	<u>\$ 196,701</u>	<u>\$ 182,785</u>	<u>\$ (13,916)</u>	<u>\$ 237,397</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, 2015
With Comparative Totals for 2014

	2015			2014
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Lunch sales	\$ 592,900	\$ 616,386	\$ 23,486	\$ 623,623
Earnings on investments	3,000	3,473	473	3,718
Other local revenue	15,800	16,297	497	11,837
State sources	450,000	350,095	(99,905)	321,418
Federal sources	1,285,000	1,234,632	(50,368)	1,156,428
Total revenues	<u>2,346,700</u>	<u>2,220,883</u>	<u>(125,817)</u>	<u>2,117,024</u>
Expenditures:				
Current:				
Salaries	679,722	654,977	24,745	684,626
Benefits	299,022	233,429	65,593	258,642
Purchased services	44,257	16,815	27,442	27,526
Supplies	1,313,699	1,180,881	132,818	1,077,954
Property	10,000	1,884	8,116	3,279
Other objects	157,435	118	157,317	164,152
Total expenditures	<u>2,504,135</u>	<u>2,088,104</u>	<u>416,031</u>	<u>2,216,179</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(157,435)	132,779	290,214	(99,155)
Fund balances - beginning	400,844	400,844	-	499,999
Fund balances - ending	<u>\$ 243,409</u>	<u>\$ 533,623</u>	<u>\$ 290,214</u>	<u>\$ 400,844</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, 2015 and 2014

	2015	2014
Revenues:		
Local sources:		
Contributions	\$ 84,566	\$ 88,940
Earnings on investments	5,625	10,934
Total revenues	90,191	99,874
Expenditures:		
Current:		
Instruction	78,387	55,819
Excess of revenues over expenditures / net change in fund balances	11,804	44,055
Fund balances - beginning	993,714	949,659
Fund balances - ending	\$ 1,005,518	\$ 993,714

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, 2015
With Comparative Totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local sources:				
Other local revenue	\$ 1,900,000	\$ 1,590,147	\$ (309,853)	\$ 1,448,852
Expenditures:				
Current:				
Purchased services	30,000	334,065	(304,065)	328,312
Supplies	1,563,000	624,189	938,811	740,595
Property	7,000	62,973	(55,973)	45,403
Other objects	300,000	516,671	(216,671)	284,931
Total expenditures	<u>1,900,000</u>	<u>1,537,898</u>	<u>362,102</u>	<u>1,399,241</u>
Excess of revenues over expenditures / net change in fund balances	-	52,249	52,249	49,611
Fund balances - beginning	<u>824,286</u>	<u>824,286</u>	<u>-</u>	<u>774,675</u>
Fund balances - ending	<u>\$ 824,286</u>	<u>\$ 876,535</u>	<u>\$ 52,249</u>	<u>\$ 824,286</u>

MURRAY CITY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Incremental Tax
Nonmajor Special Revenue Fund
Year Ended June 30, 2015
With Comparative Totals for 2014

	<u>2015</u>			<u>2014</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Property taxes	\$ 1,822,250	\$ 1,572,249	\$ (250,001)	\$ -
Expenditures:				
Other objects	<u>1,822,250</u>	<u>1,572,249</u>	<u>250,001</u>	<u>-</u>
Total expenditures	<u>1,822,250</u>	<u>1,572,249</u>	<u>250,001</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION
(Unaudited)

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF NET POSITION
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
June 30, 2015 through 2011

	2015	2014	2013	2012	2011
Assets:					
Cash and investments	\$ 37,560,982	\$ 46,640,295	\$ 62,137,028	\$ 30,203,263	\$ 31,309,076
Receivables:					
Property taxes	21,295,069	19,404,912	19,495,080	17,393,802	17,179,433
Other local	139,808	443,772	15,785	140,732	525,213
State of Utah	243,508	264,120	182,974	335,991	186,274
Federal government	729,508	2,134,672	2,011,923	2,010,783	2,450,646
Prepaid items	-	-	48,840	-	-
Inventories	738,547	618,420	588,061	498,688	755,502
Net OPEB asset	259,073	172,091	85,010	-	-
Net Pension asset	11,167	-	-	-	-
Capital assets:					
Land and construction in progress	56,137,065	37,658,593	22,137,243	17,736,806	16,067,445
Buildings and equipment, net of accumulated depreciation	39,668,319	39,368,447	37,004,057	38,297,904	39,465,887
Total assets	<u>156,783,046</u>	<u>146,705,322</u>	<u>143,706,001</u>	<u>106,617,969</u>	<u>107,939,476</u>
Deferred outflows of resources:					
Deferred amounts on refundings	481,902	519,297	556,692	514,422	578,062
Related to pensions	2,762,584	-	-	-	-
Total deferred outflows of resources	<u>3,244,486</u>	<u>519,297</u>	<u>556,692</u>	<u>514,422</u>	<u>578,062</u>
Liabilities:					
Accounts payable	3,894,509	5,721,578	4,331,581	2,613,995	2,809,853
Accrued interest	660,735	681,146	718,313	324,766	355,841
Accrued salaries and benefits	5,057,777	3,353,008	3,199,843	3,160,631	3,126,541
Unearned revenue:					
Other local	58,498	63,719	63,615	51,206	58,045
State of Utah	857,831	465,884	849,335	1,207,369	1,365,594
Federal government	47,198	39,745	38,302	19,911	23,367
Noncurrent liabilities:					
Due and payable within one year	2,610,515	2,500,370	2,045,843	1,882,834	1,789,677
Due and payable after one year	69,722,084	46,317,334	48,262,636	16,296,771	17,906,733
Total liabilities	<u>82,909,147</u>	<u>59,142,784</u>	<u>59,509,468</u>	<u>25,557,483</u>	<u>27,435,651</u>
Deferred inflows of resources:					
Property taxes levied for future year	20,998,960	19,088,560	19,076,712	16,937,503	16,643,263
Related to pensions	1,737,631	-	-	-	-
Total deferred inflows of resources	<u>22,736,591</u>	<u>19,088,560</u>	<u>19,076,712</u>	<u>16,937,503</u>	<u>16,643,263</u>
Net position:					
Net investment in capital assets	48,136,484	40,978,902	37,618,325	38,734,132	36,676,394
Restricted for:					
Debt service	1,715,988	1,333,152	1,192,106	1,660,449	1,611,641
Capital projects	8,353,011	14,305,642	14,347,405	11,823,367	12,184,787
Community recreation	-	-	-	707,773	706,281
School lunch services	533,623	400,844	552,778	207,944	318,178
Transportation	-	-	-	60,938	51,739
Unrestricted	(4,357,312)	11,974,735	11,965,899	11,442,802	12,889,604
Total net position	<u>\$ 54,381,794</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>

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

MURRAY CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES
GOVERNMENTAL ACTIVITIES (Accrual Basis of Accounting)
Years Ended June 30, 2015 through 2011

	2015	2014	2013	2012	2011
Expenses:					
Instruction	\$ 30,514,143	\$ 31,777,260	\$ 30,043,867	\$ 29,984,312	\$ 29,903,695
Supporting services:					
Student	1,837,703	2,050,234	2,044,784	1,723,176	1,763,044
Instructional staff	1,263,491	1,238,961	1,440,676	1,789,506	1,554,908
General administration	852,698	826,392	1,157,888	1,127,919	778,709
School administration	2,538,263	2,615,622	2,527,867	2,542,028	2,453,638
Central	1,480,253	1,812,860	1,525,412	1,677,403	1,575,102
Operation and maintenance of facilities	4,074,009	4,368,676	4,218,582	4,227,793	4,119,525
Student transportation	1,038,743	1,191,137	955,311	1,062,989	948,326
School lunch services	1,827,757	2,121,428	2,460,235	2,445,521	2,494,372
Community services	2,424,603	876,442	863,161	898,992	843,688
Interest on long-term liabilities	1,502,680	1,508,077	1,309,671	848,161	956,241
Total school district	<u>49,354,343</u>	<u>50,387,089</u>	<u>48,547,454</u>	<u>48,327,800</u>	<u>47,391,248</u>
Program revenues:					
Instruction	7,619,078	9,115,328	7,875,378	7,420,401	9,291,059
Supporting services:					
Student	504,785	506,974	572,124	498,606	440,881
Instructional staff	273,959	239,865	214,581	301,029	280,425
General administration	120,730	144,996	196,136	195,127	181,340
School administration	91	1,142	2,584	1,299	101
Central	-	283	473	240	552
Operation and maintenance of facilities	74,762	72,865	68,911	90,076	137,074
Student transportation	367,727	289,015	423,519	451,666	475,616
School lunch services	2,077,146	2,113,306	2,173,814	2,357,006	2,420,362
Community services	525,789	555,573	541,707	498,830	351,420
Total program revenues	<u>11,564,067</u>	<u>13,039,347</u>	<u>12,069,227</u>	<u>11,814,280</u>	<u>13,578,830</u>
Net (expense) revenue	<u>(37,790,276)</u>	<u>(37,347,742)</u>	<u>(36,478,227)</u>	<u>(36,513,520)</u>	<u>(33,812,418)</u>
General revenues:					
Property taxes	21,799,930	20,051,978	18,002,328	17,867,632	17,380,266
Federal and state aid not restricted to specific purposes	18,700,055	17,865,935	17,245,373	17,258,358	17,567,659
Earnings on investments	198,425	464,706	444,239	377,904	229,269
Miscellaneous	1,467,756	2,281,885	1,825,395	1,208,407	699,725
Total general revenues	<u>42,166,166</u>	<u>40,664,504</u>	<u>37,517,335</u>	<u>36,712,301</u>	<u>35,876,919</u>
Change in net position	<u>4,375,890</u>	<u>3,316,762</u>	<u>1,039,108</u>	<u>198,781</u>	<u>2,064,501</u>
Net position - beginning	<u>50,005,904</u>	<u>65,676,513</u>	<u>64,637,405</u>	<u>64,438,624</u>	<u>62,374,123</u>
Net position - ending	<u>\$ 54,381,794</u>	<u>\$ 68,993,275</u>	<u>\$ 65,676,513</u>	<u>\$ 64,637,405</u>	<u>\$ 64,438,624</u>

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

**MURRAY CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEETS**
June 30, 2015 through 2011

	2015	2014	2013	2012	2011
Assets:					
Cash and investments	\$ 15,433,095	\$ 13,004,429	\$ 13,525,934	\$ 12,294,577	\$ 12,868,988
Accounts receivable:					
Property taxes	15,424,736	12,228,568	12,353,750	11,623,979	10,378,714
Other local	106,555	417,273	2,215	127,652	425,832
State of Utah	149,154	115,516	33,589	212,719	75,585
Federal government	665,967	2,066,103	1,948,251	1,973,548	2,404,162
Inventories	738,547	618,420	588,061	498,688	755,502
Due from other funds	-	-	-	199,285	-
Total assets	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</u>
Liabilities:					
Accounts payable	\$ 274,946	\$ 2,438,769	\$ 2,248,809	\$ 2,048,589	\$ 2,234,200
Accrued salaries and benefits	5,029,791	3,353,008	3,199,843	3,112,877	3,083,947
Unearned revenue:					
Local	20,819	19,155	16,179	21,462	23,252
State of Utah	845,423	463,485	842,883	1,205,016	1,365,594
Federal government	2,135	1,935	3,480	3,967	10,146
Total liabilities	<u>6,173,114</u>	<u>6,276,352</u>	<u>6,311,194</u>	<u>6,391,911</u>	<u>6,717,139</u>
Deferred inflows of resources:					
Unavailable property tax revenue	227,590	275,543	321,351	472,406	431,488
Property taxes levied for future year	15,233,080	12,010,486	12,049,626	11,163,985	9,943,707
Total deferred inflows of resources	<u>15,460,670</u>	<u>12,286,029</u>	<u>12,370,977</u>	<u>11,636,391</u>	<u>10,375,195</u>
Fund balances:					
Nonspendable:					
Inventories	738,547	618,420	588,061	498,688	755,502
Restricted for:					
Other purposes	-	-	-	60,938	51,739
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	2,907,365	2,031,150	1,943,210	1,104,162	1,770,850
Total fund balances	<u>10,884,270</u>	<u>9,887,928</u>	<u>9,769,629</u>	<u>8,902,146</u>	<u>9,816,449</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,518,054</u>	<u>\$ 28,450,309</u>	<u>\$ 28,451,800</u>	<u>\$ 26,930,448</u>	<u>\$ 26,908,783</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, 2015 through 2011 with Anticipated Budget for 2016

	Anticipated Budget					
	2016	2015	2014	2013	2012	2011
Revenues:						
Property taxes	\$ 14,697,917	\$ 13,085,134	\$ 13,072,096	\$ 12,704,863	\$ 12,429,628	\$ 11,210,164
Earnings on investments	45,000	46,091	221,667	180,993	232,949	106,823
Other local revenue	1,370,156	1,103,353	1,815,282	1,582,864	1,247,219	882,628
State sources	24,318,381	23,464,081	23,424,024	22,345,426	22,060,958	22,390,362
Federal sources	2,201,765	2,036,473	2,140,924	2,049,985	2,080,138	3,594,712
Total revenues	42,633,219	39,735,132	40,673,993	38,864,131	38,050,892	38,184,689
Expenditures:						
Current:						
Instruction	28,296,280	26,021,870	26,681,479	25,117,465	25,798,621	25,739,288
Support services:						
Student	2,179,711	1,910,815	2,048,427	2,043,406	1,719,344	1,754,484
Instructional staff	1,792,910	1,305,622	1,238,961	1,433,949	1,789,007	1,554,908
General administration	866,343	772,274	814,176	827,656	1,117,197	767,752
School administration	2,750,752	2,598,100	2,570,701	2,479,157	2,493,320	2,408,644
Central	1,415,815	1,363,418	1,611,790	1,190,811	1,504,572	1,156,905
Operation and maintenance of facilities	4,360,252	3,498,596	3,738,893	3,573,033	3,611,771	3,921,035
Student transportation	863,804	789,440	951,224	833,039	800,502	801,746
Community services	567,159	478,655	517,905	498,132	130,861	112,400
Capital outlay	626	-	382,138	-	-	-
Total expenditures	43,093,652	38,738,790	40,555,694	37,996,648	38,965,195	38,217,162
Excess (deficiency) of revenues over (under) expenditures	(460,433)	996,342	118,299	867,483	(914,303)	(32,473)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Change in fund balances	(460,433)	996,342	118,299	867,483	(914,303)	(32,473)
Fund balances - beginning	9,887,928	9,887,928	9,769,629	8,902,146	9,816,449	9,848,922
Fund balances - ending	\$ 9,427,495	\$ 10,884,270	\$ 9,887,928	\$ 9,769,629	\$ 8,902,146	\$ 9,816,449

Source: District records

MURRAY CITY SCHOOL DISTRICT
HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY

Tax (Calendar) Years 2014 through 2010

	2014		2013	2012	2011	2010
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by state tax commission-centrally assessed	\$ 42,490,546	1.3 %	\$ 43,924,492	\$ 42,576,654	\$ 49,769,449	\$ 49,154,777
Set by county assessor-locally assessed						
Real property:						
Primary residential	1,373,960,677	43.2	1,269,724,702	1,206,067,631	1,256,582,040	1,274,080,389
Other residential	23,322,500	0.7	22,821,670	22,431,230	24,124,360	26,337,730
Commercial and industrial	1,435,243,980	45.1	1,401,848,820	1,374,324,080	1,350,635,910	1,361,584,890
Agriculture buildings	9,510	0.0	9,010	106,660	102,870	111,330
Unimproved non FAA	6,240	0.0	6,670	6,510	6,380	6,370
Total real property	<u>2,832,542,907</u>	<u>89.0</u>	<u>2,694,410,872</u>	<u>2,602,936,111</u>	<u>2,631,451,560</u>	<u>2,662,120,709</u>
Personal property:						
Primary mobile homes	5,159,803	0.2	5,349,989	5,557,163	5,778,968	5,934,862
Secondary mobile homes	75,225	0.0	113,647	147,575	108,106	113,476
Other business personal	211,786,307	6.7	211,233,953	207,929,139	188,765,015	203,678,035
Total personal property	<u>217,021,335</u>	<u>6.8</u>	<u>216,697,589</u>	<u>213,633,877</u>	<u>194,652,089</u>	<u>209,726,373</u>
Fee in lieu property	<u>88,985,799</u>	<u>2.8</u>	<u>91,810,534</u>	<u>89,306,352</u>	<u>90,723,186</u>	<u>194,568,126</u>
Total locally assessed	<u>3,138,550,041</u>	<u>98.7</u>	<u>3,002,918,995</u>	<u>2,905,876,340</u>	<u>2,916,826,835</u>	<u>3,066,415,208</u>
Total taxable value (TV)	<u>\$ 3,181,040,587</u>	<u>100.0 %</u>	<u>\$ 3,046,843,487</u>	<u>\$ 2,948,452,994</u>	<u>\$ 2,966,596,284</u>	<u>\$ 3,115,569,985</u>
Total taxable value (less fee in lieu)	<u>\$ 3,092,054,788</u>		<u>\$ 2,955,032,953</u>	<u>\$ 2,859,146,642</u>	<u>\$ 2,875,873,098</u>	<u>\$ 2,921,001,859</u>

Source: Property Tax Division, Utah State Tax Commission

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

Years Ended June 30, 2015 through 2011 with Anticipated Budget for 2016

	Anticipated Budget		2015		2014		2013		2012		2011	
	Tax Rate	Budget	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
General fund:												
Basic levy	0.001736	\$ 5,067,621	0.001419	\$ 4,250,492	0.001535	\$ 4,540,488	0.001651	\$ 4,758,747	0.001591	\$ 4,632,853	0.001495	\$ 4,339,744
Voted local levy	0.001697	4,953,773	0.001786	5,349,808	0.001756	5,194,201	0.001786	5,147,862	0.000000	-	0.000000	-
Board local levy	0.001249	3,646,000	0.001197	3,585,510	0.001123	3,337,407	0.000892	2,571,049	0.000000	-	0.000000	-
Voted leeway	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.001815	5,285,121	0.001786	5,184,470
Reading program	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000120	349,429	0.000118	342,535
Special transportation	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000119	346,518	0.000117	339,632
Tort liability	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000018	52,414	0.000471	1,367,237
10% of basic levy	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000479	1,394,806	0.000018	52,251
Total general fund	0.004682	13,667,394	0.004402	13,185,810	0.004414	13,072,096	0.004329	12,477,658	0.004142	12,061,141	0.004005	11,625,869
Non K-12 programs fund:												
Community recreation	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000134	390,196	0.000132	383,175
Debt service fund:												
Debt service	0.001211	3,535,073	0.001277	3,825,143	0.001307	3,850,559	0.000841	2,424,049	0.000819	2,384,856	0.000804	2,333,882
Capital projects fund:												
Capital local	0.000593	1,731,047	0.000667	1,997,941	0.000682	2,017,247	0.000711	2,049,345	0.000506	1,473,428	0.000388	1,126,302
Capital outlay equalized	0.000600	1,751,532	0.000600	1,281,290	0.000600	1,148,929	0.000600	1,110,856	0.000600	1,121,264	0.000600	1,237,693
10% of basic levy	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-	0.000000	-
Total capital projects fund	0.001193	3,482,579	0.001267	3,279,231	0.001282	3,166,176	0.001311	3,160,201	0.001106	2,594,692	0.000988	2,363,995
Total tax rate / collections	0.007086	\$ 20,685,046	0.006946	\$ 20,290,184	0.007003	\$ 20,088,831	0.006481	\$ 18,061,908	0.006201	\$ 17,430,885	0.005929	\$ 16,706,921

Notes:

Tax rates are levied for the calendar year. This schedule reports collections for fiscal years ended June 30. For example, calendar year 2014 tax rates are for the District's fiscal year ended June 30, 2015. Collections are allocated using current tax rates. Collections will differ from tax revenue reported in the financial statements depending on the basis of accounting and allocation methods used.

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

MURRAY CITY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2015

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MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	CFDA Number	USOE Pass-Through Number	District's Program Number	Receivable (Unearned) June 30, 2014	Received	Expended	Receivable (Unearned) June 30, 2015
U.S. DEPARTMENT OF AGRICULTURE:							
Passed Through State of Utah Board of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	44	8001	\$ 3,083	\$ 162,864	\$ 161,379	\$ 1,598
National School Lunch Program	10.555	42	8001	16,699	941,838	932,989	7,850
National School Lunch Program (Donated Commodities)	10.555		8001	-	140,264	140,264	-
Passed Through Salt Lake County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665		0050	-	1,252	1,252	-
				19,782	1,246,218	1,235,884	9,448
U.S. DEPARTMENT OF EDUCATION:							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060		7608	17,103	-	18,150	35,253
Passed Through State of Utah Board of Education:							
Title I Grants to Local Educational Agencies	84.010	08	7511	796,127	1,288,332	624,272	132,067
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	7551	987,892	1,688,723	1,030,469	329,638
Special Education - Preschool Grants	84.173	52	7550	31,820	63,959	32,139	-
Special Education - State Personnel Development	84.323	29	5206	-	19,937	29,250	9,313
Career and Technical Education - Basic Grants to States	84.048	21	6000	65,248	65,248	60,456	60,456
English Language Acquisition State Grants	84.365	73	7507	26,966	26,966	34,859	34,859
Improving Teacher Quality State Grants	84.367	74	7505	172,767	278,398	170,012	64,381
				2,097,923	3,431,563	1,999,607	665,967
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed Through State of Utah Department of Human Services:							
Head Start	93.600		7321	5,502	10,280	16,061	11,283
Passed Through DDI Vantage:							
Head Start	93.600		1280	(26,344)	45,860	38,993	(33,211)
Passed Through Jordan School District:							
Block Grants for Prevention and Treatment of Substance Abuse	93.959		7609	(1,935)	200	-	(2,135)
				(22,777)	56,340	55,054	(24,063)
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed Through Utah Division of Emergency Management:							
Hazard Mitigation Grant	97.039			-	143,401	174,359	30,958
Total federal awards				\$ 2,094,928	\$ 4,877,522	\$ 3,464,904	\$ 682,310

See the accompanying notes to this schedule.

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

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

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

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

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, 2015 is as follows:

General Fund	\$ 2,036,473
Capital Projects Fund	174,359
Special Revenue Funds:	
Non K-12 Programs	87,193
School Lunch	1,234,632
Total governmental funds	<u>3,532,657</u>
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(67,753)</u>
Total federal revenue reported on the Schedule of Expenditures of Federal Awards (SEFA)	<u><u>\$ 3,464,904</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, 2015, 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 30, 2015.

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 30, 2015



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, 2015. 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, 2015.

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, 2015, 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 30, 2015, 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 30, 2015

MURRAY CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2015

No matters were reported in the prior year audit.

MURRAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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>Special Education Cluster (IDEA):</i>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

Auditee qualified as low-risk auditee? 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, 2015

State Grantor Agency / Program Title	Program Number	Year Last Audited	Receivable (Unearned) June 30, 2014	Received	Expended	Receivable (Unearned) June 30, 2015
State Awards:						
State of Utah Office of Education:						
Minimum School Program (per MSP schedule)	Various	2015	\$ (329,838)	\$ 23,689,148	\$ 23,314,827	\$ (704,159)
Driver Education	5610	n/a	(25,627)	19,160	33,815	(10,972)
CTE Safe and Drug Free State Act	5672	n/a	5,097	10,376	10,558	5,279
CTE Suicide Prevention	5674	n/a	-	-	1,175	1,175
Utah Performance Assessment System for Students (UPASS)	5699	n/a	-	24,820	24,820	-
Other state sources:						
Medicaid Fee for Service			-	347,172	347,172	-
Total state awards			(350,368)	24,090,676	23,732,367	(708,677)
State Funding Tested with Federal Programs:						
State of Utah Office of Education:						
School Lunch Program (Liquor Control Tax)	8070	2014*	148,604	404,345	350,095	94,354
Total state revenue			\$ (201,764)	\$ 24,495,021	\$ 24,082,462	\$ (614,323)

* 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, 2015.

General state compliance requirements tested for the year ended June 30, 2015 are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Tax Levy Revenue Recognition
- School District Tax Levies
- Open and Public Meetings Act
- Conflicts of Interest
- Nepotism

The District's state awards classified as major programs for the year ended June 30, 2015 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, 2015.

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, 2015, 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 30, 2015, 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 expenditures 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 30, 2015



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, 2015, 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 30, 2015, on the financial statements of the District. This letter accompanies our reports dated November 30, 2015, 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.

Journal entries – Various individuals are assigned to compose and enter journal entries in the accounting system. Although reviews of such entries occur periodically, there is not a procedure in place to ensure the reviews occur timely. We recommend the District establish procedures to ensure the timely review of journal entries recorded in the accounting system.

Policies – We noted that the District has nepotism and conflicts of interest policies which have not been formalized by the board. We recommend the board adopt formal policies covering these items.

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 30, 2015