

**PARK CITY SCHOOL DISTRICT**

**Financial Statements**

Year Ended June 30, 2018

## **FINANCIAL SECTION**



## Independent Auditor's Report

Board of Education  
Park 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 Park City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Basic Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Park City School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, the schedules of District contributions – Utah Retirement Systems, and the related notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, 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.

*Aguirre & Company, PC*

Orem, Utah  
October 29, 2018

## Management's Discussion and Analysis

This section of the financial report of Park City School District (the District) presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2018.

### Financial Highlights

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 0.7% in 2018 to \$61.2 million as a result of a combination of an increase in the taxable value of property and a decrease in the overall tax rate.
- The District's total net position was \$123.2 million at the close of the most recent fiscal year, most of which is invested in capital assets or restricted for capital outlay.
- During the year, expenses were \$3.3 million more than the \$74.7 million generated in taxes and other revenues for governmental activities.
- District student enrollment decreased by 75 students to a total of 4,816 students as of October 1, 2017 for the 2017-2018 school year.

### 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 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 consolidated 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 (such as, uncollected taxes and pension benefits).

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, nutrition services, and community services. 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 Park City Education Foundation (the Foundation), a legally separate entity for which the District is financially accountable. The Foundation is reported as a special revenue fund of the District. The Foundation exclusively benefits the District and its students. Most of the administrative costs of the Foundation are financed by 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 are grouped into two categories: governmental 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 six 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* and the *capital projects fund*, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the governmental funds is provided in the *combining and individual statements and schedules* section of this report.

The District adopts an annual 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 fund** – The District maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District’s various functions. The District uses one internal service fund (the *self-insurance fund*) to account for employee health and accident and dental benefits and health care reimbursements provided as a service to all the other funds of the District. This internal service fund is 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 38 of this report.

**Additional information** – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District’s progress in funding its obligation to provide pension benefits to its employees. This required supplementary information and related notes can be found on pages 39 to 41 of this report.

The individual and combining statements referred to earlier in connection with governmental funds are presented as supplementary information on pages 42 through 50 of this report.

To provide comparative data, selected financial, tax, and demographic information is provided as other information. This other information can be found on pages 51 through 57 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 \$123.2 million at the close of the most recent fiscal year.

**PARK CITY SCHOOL DISTRICT'S Net Position**  
**June 30, 2018 and 2017**  
(in millions of dollars)

	<u>Governmental activities</u>		<u>Total</u>
	<u>2018</u>	<u>2017</u>	<u>change</u> <u>2018-2017</u>
Current and other assets	\$ 126.4	\$ 120.4	\$ 6.0
Capital assets	98.6	99.7	(1.1)
Total assets	<u>225.0</u>	<u>220.1</u>	<u>4.9</u>
Deferred outflows of resources	<u>14.0</u>	<u>12.2</u>	<u>1.8</u>
Current and other liabilities	8.0	9.1	(1.1)
Long-term liabilities outstanding	<u>26.3</u>	<u>33.1</u>	<u>(6.8)</u>
Total liabilities	<u>34.3</u>	<u>42.2</u>	<u>(7.9)</u>
Deferred inflows of resources	<u>81.5</u>	<u>63.6</u>	<u>17.9</u>
Net position:			
Investment in capital assets	98.6	99.7	(1.1)
Restricted	23.2	22.8	0.4
Unrestricted	<u>1.4</u>	<u>4.0</u>	<u>(2.6)</u>
Total net position	<u>\$ 123.2</u>	<u>\$ 126.5</u>	<u>\$ (3.3)</u>

- The largest portion of the District's net position (\$98.6 million or 80.0%) reflects its investment in capital assets (e.g., land, buildings and improvements, and equipment and buses, net of accumulated depreciation). The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.
- An additional portion of the District's net position (\$23.2 million or 18.9%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital outlay. Restricted net position increased by \$0.4 million during the year ended June 30, 2018. This increase resulted primarily from an increase in unspent resources for capital outlay.
- The remaining net position (\$1.4 million) is unrestricted. This balance is net of the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems. Unrestricted net position decreased by \$2.6 million during the year ended June 30, 2018. This net decrease reflects an increase in salaries and related benefits.

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

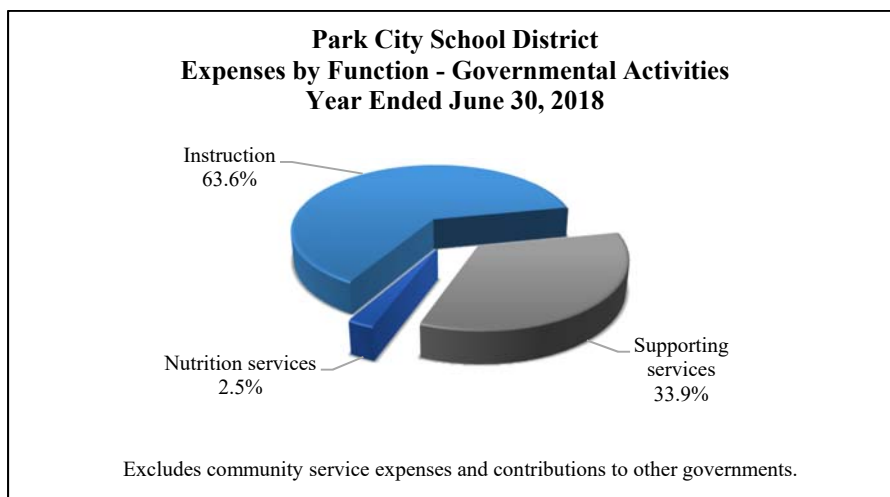
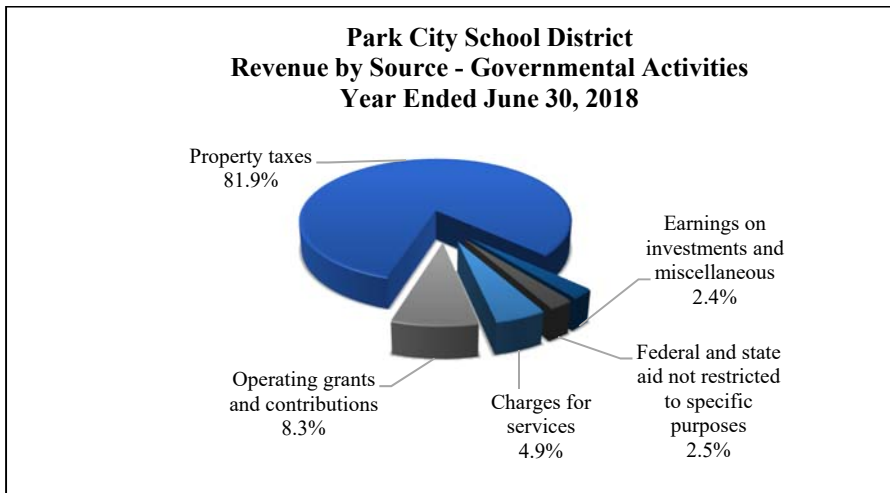


**PARK CITY SCHOOL DISTRICT'S Changes in Net Position**  
**Years Ended June 30, 2018 and 2017**  
(in millions of dollars)

	<u>Governmental activities</u>		Total
	<u>2018</u>	<u>2017</u>	<u>change</u> 2018-2017
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3.7	\$ 4.0	\$ (0.3)
Operating grants and contributions	6.2	5.8	0.4
General revenues:			
Property taxes	61.2	60.8	0.4
Federal and state aid not restricted to specific purposes	1.8	1.8	-
Earnings on investments	1.0	0.7	0.3
Miscellaneous	0.8	1.0	(0.2)
Total revenues	<u>74.7</u>	<u>74.1</u>	<u>0.6</u>
<b>Expenses:</b>			
Instruction	44.5	43.9	0.6
Supporting services:			
Students	4.5	2.7	1.8
Instructional staff	4.0	3.1	0.9
Executive administration	0.9	1.1	(0.2)
School administration	3.2	2.9	0.3
Central	3.5	3.2	0.3
Operation and maintenance of facilities	5.1	5.2	(0.1)
Student transportation	2.6	2.4	0.2
Nutrition services	1.8	1.6	0.2
Community services	1.8	1.6	0.2
Contributions to other governments	6.1	6.6	(0.5)
Total expenses	<u>78.0</u>	<u>74.3</u>	<u>3.7</u>
Change in net position	(3.3)	(0.2)	(3.1)
<b>Net position - beginning</b>	<u>126.5</u>	<u>126.7</u>	<u>(0.2)</u>
<b>Net position - ending</b>	<u>\$ 123.2</u>	<u>\$ 126.5</u>	<u>\$ (3.3)</u>

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 0.7% in 2018 to \$61.2 million as a result of a combination of an increase in the taxable value of property and a decrease in the overall tax rate.
- State aid is based primarily on weighted pupil units (WPU) and other appropriations.

*State WPU-based programs* – 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 taxes collected from the basic levy do not provide money equal to the WPU, the state will make up the difference with state funding. The value of the WPU increased by 4.0% during the year ended June 30, 2018 (\$3,311 during 2018 as compared to \$3,184 in 2017). The combination of an increase in the value of the WPU and a decrease in student membership resulted in an increase of state WPU-based program revenue of \$0.6 million compared to the prior year. However, taxes collected from the basic levy exceeded the state guarantee by \$3.4 million. Consequently, the District received no state WPU funding in 2018 and was required to pay the excess to the state.



*Other state appropriations* – Overall revenue from other state appropriations totaled \$4.2 million in 2018, an increase of 2.4% from the prior year.

- Federal aid is received through the state primarily for students eligible to participate in child nutrition, special education, and economically disadvantaged programs. Overall revenue from federal programs totaled \$1.9 million in 2018, about the same amount as what was received in the prior year.
- The District’s total expenses increased by \$3.7 million to a total of \$78.0 million during 2018 as compared to the prior year. This increase is primarily from increases in salaries and benefits.

### **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 \$40.3 million, \$4.1 million less than the previous year. Included in this year’s change in the combined fund balance is a decrease in the fund balance of the *general fund* of \$4.5 million; this year’s change also includes an increase in the fund balance of the capital projects funds of \$0.4 million. These increases resulted primarily

from increases in salaries and related benefits and a decrease in capital outlay. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes (excluding community service expenditures and contributions to other governments) totaled \$61.0 million, an increase of 11.1% during the current fiscal year. This compares to a 4.2% increase in 2017. Instruction represents 61.0% of *general fund* expenditures (excluding community service expenditures and contributions to other governments).
- *General fund* salaries totaled \$36.7 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$18.9 million to arrive at 88.5% of total *general fund* expenditures (excluding contributions to other governments).

Governmental funds report the differences between their assets, liabilities, and deferred inflows of resources as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes endowments, inventories, and prepaid items that are not expected to be converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2018, the District's combined governmental fund balance is \$40.3 million (\$0.4 million in nonspendable, \$22.7 million in restricted, \$4.0 million in committed, \$3.5 million in assigned, and \$9.7 million in unassigned fund balances).

### **General Fund Budgetary Highlights**

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$1.8 million in total *general fund* revenues to reflect a decrease in property tax revenue and an increase in state revenues.

Actual expenditures were \$2.4 million less than final budgeted amounts. Actual revenues were \$0.4 million more than final budgeted amounts primarily due to positive variances in revenue from property taxes. Property tax collection rates exceeded expectations.

### **Capital Asset Administration**

**Capital assets** – The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$98.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment and buses. The total decrease in capital assets for the current year was \$1.1 million or 1.1%, primarily for depreciation expense.

Capital assets at June 30, 2018 and 2017 are outlined below:

**PARK CITY SCHOOL DISTRICT'S Capital Assets**  
**June 30, 2018 and 2017**  
(net of accumulated depreciation, in millions of dollars)

	<b>Governmental activities</b>		<b>Total</b>
	<b>2018</b>	<b>2017</b>	<b>change</b>
	<b>2018</b>	<b>2017</b>	<b>2018-2017</b>
Land and construction in progress	\$ 6.1	\$ 5.2	\$ 0.9
Buildings and improvements	90.1	92.1	(2.0)
Equipment and buses	2.4	2.4	-
Total capital assets	<u>\$ 98.6</u>	<u>\$ 99.7</u>	<u>\$ (1.1)</u>

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

**Enrollment**

The District anticipates moderate growth in student enrollment. The following enrollment information is based on the annual October 1 count:

**PARK CITY SCHOOL DISTRICT'S Enrollment**  
**October 1 Count**

<u>School Year</u>	<u>Enrollment</u>	<u>Change</u>
2018-19	4,861 *	0.9%
2017-18	4,816	-1.5%
2016-17	4,891	2.7%
2015-16	4,763	0.5%
2014-15	4,739	2.4%
2013-14	4,630	4.7%
2012-13	4,421	0.5%
2011-12	4,400	1.1%
2010-11	4,351	-4.6%
2009-10	4,563	1.9%

\* Projected

District enrollment for the 2017-2018 school year decreased by 75 students to a total of 4,816 students. A public charter school opened within the District's boundaries in the 2010-11 school year; the charter school enrolled 598 students in the 2017-2018 school year.

**Contacting the District's Management**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of Park City School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator, Park City School District, 2700 Kearns Blvd., Park City, UT 84060.

## **Basic Financial Statements**

**PARK CITY SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 53,910,658
Receivables:	
Property taxes	71,093,961
Local	380,267
State	115,066
Federal	618,761
Inventories and prepaid items	360,991
Capital assets:	
Land and construction in progress	6,078,012
Other capital assets, net of accumulated depreciation	92,494,372
Total assets	225,052,088
 <b>Deferred outflows of resources:</b>	
Related to pensions	13,977,342
 <b>Liabilities:</b>	
Accounts and contracts payable	928,419
Accrued payroll and related benefits	6,763,503
Unearned revenue:	
Local	102,930
State	172,233
Long-term liabilities:	
Portion due or payable within one year	2,564,395
Portion due or payable after one year	23,780,431
Total liabilities	34,311,911
 <b>Deferred inflows of resources:</b>	
Property taxes levied for future year	70,037,139
Related to pensions	11,443,069
Total deferred inflows of resources	81,480,208
 <b>Net position:</b>	
Investment in capital assets	98,572,384
Restricted for:	
Capital outlay	22,136,419
Nutrition services	513,881
Scholarships	599,668
Unrestricted	1,414,959
Total net position	\$ 123,237,311

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

**PARK CITY SCHOOL DISTRICT**  
**Statement of Activities**  
Year Ended June 30, 2018

Activities / Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>				
Instruction	\$ 44,543,979	\$ 2,768,773	\$ 3,680,511	\$ (38,094,695)
Supporting services:				
Student	4,517,928	-	553,659	(3,964,269)
Instructional staff	4,047,876	-	134,865	(3,913,011)
Executive administration	868,181	-	-	(868,181)
School administration	3,155,508	-	-	(3,155,508)
Central	3,465,128	-	-	(3,465,128)
Operation and maintenance of facilities	5,066,170	12,515	920	(5,052,735)
Student transportation	2,639,078	725	818,405	(1,819,948)
Nutrition services	1,774,614	628,878	915,703	(230,033)
Community services	1,794,031	273,005	88,450	(1,432,576)
Contributions to other governments	6,148,472	-	-	(6,148,472)
Total school district	<u>\$ 78,020,965</u>	<u>\$ 3,683,896</u>	<u>\$ 6,192,513</u>	<u>(68,144,556)</u>
<b>General revenues:</b>				
Property taxes levied for:				
Basic				22,483,078
Board local				16,275,266
Voted local				15,249,627
Capital local				4,426,440
Incremental taxes				2,058,720
Charter schools				691,220
Total property tax revenue				61,184,351
Federal and state aid not restricted to specific purposes				1,845,066
Earnings on investments				1,015,160
Miscellaneous				797,533
Total general revenues				<u>64,842,110</u>
Change in net position				(3,302,446)
<b>Net position - beginning</b>				<u>126,539,757</u>
<b>Net position - ending</b>				<u>\$ 123,237,311</u>

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

**PARK CITY SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2018

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>		
<b>Assets:</b>				
Cash and investments	\$ 20,654,313	\$ 22,237,080	\$ 3,676,377	\$ 46,567,770
Receivables:				
Property taxes	62,859,153	5,155,576	3,079,232	71,093,961
Local	233,194	21,172	125,901	380,267
State	54,364	-	60,702	115,066
Federal	604,866	-	13,895	618,761
Inventories and prepaid items	16,926	288,761	55,304	360,991
Due from other funds	416,510	-	-	416,510
Total assets	<u>\$ 84,839,326</u>	<u>\$ 27,702,589</u>	<u>\$ 7,011,411</u>	<u>\$ 119,553,326</u>
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 330,286	\$ 491,644	\$ 60,849	\$ 882,779
Accrued payroll and related benefits	6,763,503	-	-	6,763,503
Unearned revenue:				
Local	1,000	-	101,930	102,930
State	172,233	-	-	172,233
Due to other funds	-	-	416,510	416,510
Total liabilities	<u>7,267,022</u>	<u>491,644</u>	<u>579,289</u>	<u>8,337,955</u>
<b>Deferred inflows of resources:</b>				
Unavailable local revenue	-	-	114,955	114,955
Unavailable property tax revenue	650,596	53,322	32,020	735,938
Property taxes levied for future year	61,915,401	5,074,526	3,047,212	70,037,139
Total deferred inflows of resources	<u>62,565,997</u>	<u>5,127,848</u>	<u>3,194,187</u>	<u>70,888,032</u>
<b>Fund balances:</b>				
Nonspendable:				
Scholarship endowments	-	-	53,848	53,848
Inventories and prepaid items	16,926	288,761	55,304	360,991
Restricted for:				
Capital outlay	-	21,794,336	-	21,794,336
Nutrition services	-	-	468,509	468,509
Scholarships	-	-	430,865	430,865
Committed to:				
Economic stabilization	3,816,486	-	-	3,816,486
Food services program	190,000	-	-	190,000
Assigned to:				
Compensated absences	981,942	-	56,902	1,038,844
Students	-	-	652,825	652,825
Foundation	-	-	1,519,682	1,519,682
Basic levy recapture	250,000	-	-	250,000
Unassigned	9,750,953	-	-	9,750,953
Total fund balances	<u>15,006,307</u>	<u>22,083,097</u>	<u>3,237,935</u>	<u>40,327,339</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,839,326</u>	<u>\$ 27,702,589</u>	<u>\$ 7,011,411</u>	<u>\$ 119,553,326</u>

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



**PARK CITY SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2018

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**Total fund balances for governmental funds** \$ 40,327,339

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

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

Land	\$ 4,928,568	
Construction in progress	1,149,444	
Buildings and improvements, net of \$54,081,252 accumulated depreciation	90,069,371	
Equipment and buses, net of \$6,214,473 accumulated depreciation	<u>2,425,001</u>	98,572,384

Some of the District's local revenue 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.

Unavailable property tax revenue	735,938	
Accounts payable	(32,020)	
Unavailable local revenue	<u>114,955</u>	818,873

Long-term liabilities, including the net pension liability, are not due and payable in the current period and therefore are not reported in the funds. All liabilities - both current and long-term portions - are reported in the statement of net position. These and related balances at year end are:

Net pension liability	(22,744,114)	
Deferred outflows of resources related to pensions	13,977,342	
Deferred inflows of resources related to pensions	(11,443,069)	
Unpaid vacation	(221,348)	
Accrued sick leave	<u>(819,147)</u>	(21,250,336)

An internal service fund is used by the District to charge the cost of health care benefits to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position. The net position of the internal service fund is:

	<u>4,769,051</u>
<b>Total net position of governmental activities</b>	<u><u>\$ 123,237,311</u></u>

**PARK CITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2018

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>		
<b>Revenues:</b>				
Local:				
Property taxes	\$ 53,441,044	\$ 5,052,439	\$ 2,749,940	\$ 61,243,423
Earnings on investments	525,908	423,616	65,636	1,015,160
Other	2,904,398	262,566	4,635,836	7,802,800
State	3,961,605	-	233,673	4,195,278
Federal	1,170,253	-	682,030	1,852,283
Total revenues	<u>62,003,208</u>	<u>5,738,621</u>	<u>8,367,115</u>	<u>76,108,944</u>
<b>Expenditures:</b>				
Current:				
Instruction	37,217,345	-	4,222,517	41,439,862
Supporting services:				
Student	4,680,945	-	-	4,680,945
Instructional staff	4,182,792	-	-	4,182,792
General administration	850,374	-	-	850,374
School administration	3,131,401	-	-	3,131,401
Central	3,529,221	-	-	3,529,221
Operation and maintenance of facilities	4,979,799	-	-	4,979,799
Student transportation	2,435,312	-	-	2,435,312
Nutrition services	-	-	1,656,244	1,656,244
Community services	1,800,111	-	-	1,800,111
Contributions to other governments	3,398,532	-	2,749,940	6,148,472
Capital outlay	-	5,369,427	-	5,369,427
Total expenditures	<u>66,205,832</u>	<u>5,369,427</u>	<u>8,628,701</u>	<u>80,203,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,202,624)</u>	<u>369,194</u>	<u>(261,586)</u>	<u>(4,095,016)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	65,412	-	65,412
Transfers in	-	-	261,222	261,222
Transfers out	(261,222)	-	-	(261,222)
Total other financing sources (uses)	<u>(261,222)</u>	<u>65,412</u>	<u>261,222</u>	<u>65,412</u>
Net change in fund balances	(4,463,846)	434,606	(364)	(4,029,604)
<b>Fund balances - beginning</b>	<u>19,470,153</u>	<u>21,648,491</u>	<u>3,238,299</u>	<u>44,356,943</u>
<b>Fund balances - ending</b>	<u>\$ 15,006,307</u>	<u>\$ 22,083,097</u>	<u>\$ 3,237,935</u>	<u>\$ 40,327,339</u>

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

**PARK 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, 2018

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**Net change in fund balances for governmental funds** \$ (4,029,604)

Amounts reported for governmental activities in the statement of activities are different because:

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, equipment and buses and \$100,000 for buildings and 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 decreased net position in the current period.

Capital outlay	\$ 2,328,802	
Proceeds from sales of capital assets	(65,412)	
Gain on sale of capital assets	60,580	
Depreciation expense	<u>(3,427,839)</u>	(1,103,869)

Certain revenue sources are collected several months after the District's fiscal year end are not considered available revenues in the governmental funds and are, instead, counted as deferred inflows of resources at year end. They are, however, recorded as revenues in the statement of activities.

Property tax revenue	(59,072)	
Local revenue	<u>(95,445)</u>	(154,517)

Some expenses reported 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.

Pension expense	1,001,498	
Vacation and sick leave expense	<u>(65,441)</u>	936,057

An internal service fund is used by the District to charge the cost of health care benefits to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

	<u>1,049,487</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ (3,302,446)</u></u>

**PARK CITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local:				
Property taxes	\$ 55,155,811	\$ 52,765,992	\$ 53,441,044	\$ 675,052
Earnings on investments	249,946	329,385	525,908	196,523
Other	3,067,977	3,154,709	2,904,398	(250,311)
State	3,906,362	4,136,828	3,961,605	(175,223)
Federal	1,084,454	1,259,084	1,170,253	(88,831)
Total revenues	<u>63,464,550</u>	<u>61,645,998</u>	<u>62,003,208</u>	<u>357,210</u>
<b>Expenditures:</b>				
Current:				
Instruction	39,947,650	38,470,610	37,217,345	1,253,265
Supporting services:				
Student	4,044,977	4,827,781	4,680,945	146,836
Instructional staff	3,713,070	4,576,578	4,182,792	393,786
Executive administration	849,263	882,065	850,374	31,691
School administration	3,063,904	3,164,575	3,131,401	33,174
Central	3,546,376	3,683,852	3,529,221	154,631
Operation and maintenance of facilities	5,114,680	5,200,035	4,979,799	220,236
Student transportation	2,342,593	2,504,745	2,435,312	69,433
Community services	1,858,108	1,931,716	1,800,111	131,605
Contributions to other governments	4,159,868	3,398,532	3,398,532	-
Total expenditures	<u>68,640,489</u>	<u>68,640,489</u>	<u>66,205,832</u>	<u>2,434,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,175,939)</u>	<u>(6,994,491)</u>	<u>(4,202,624)</u>	<u>2,791,867</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(370,609)</u>	<u>(382,886)</u>	<u>(261,222)</u>	<u>121,664</u>
Net change in fund balances	<u>(5,546,548)</u>	<u>(7,377,377)</u>	<u>(4,463,846)</u>	<u>2,913,531</u>
<b>Fund balances - beginning</b>	<u>18,747,702</u>	<u>19,470,153</u>	<u>19,470,153</u>	<u>-</u>
<b>Fund balances - ending</b>	<u><u>\$ 13,201,154</u></u>	<u><u>\$ 12,092,776</u></u>	<u><u>\$ 15,006,307</u></u>	<u><u>\$ 2,913,531</u></u>

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

**PARK CITY SCHOOL DISTRICT**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
June 30, 2018

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	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash and investments	\$ 7,342,888
<b>Liabilities:</b>	
Accounts payable	13,620
Medical claims payable	1,886,758
Health reimbursement accounts	<u>673,459</u>
Total liabilities	2,573,837
<b>Net position:</b>	
Unrestricted	<u>4,769,051</u>
Total net position	<u><u>\$ 4,769,051</u></u>

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

**PARK CITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year Ended June 30, 2018

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	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Premiums charged to other funds	\$ 8,160,445
Refunds	296,448
Total operating revenues	<u>8,456,893</u>
<b>Operating expenses:</b>	
Medical claims	6,525,367
Administrative expenses	673,811
Contributions to health savings accounts	208,228
Total operating expenses	<u>7,407,406</u>
Total operating income / change in fund net position	1,049,487
<b>Net position - beginning</b>	<u>3,719,564</u>
<b>Net position - ending</b>	<u><u>\$ 4,769,051</u></u>

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

**PARK CITY SCHOOL DISTRICT**  
**Statement of Fund Cash Flows**  
**Proprietary Fund**  
Year Ended June 30, 2018

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	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Insurance premiums received	\$ 8,160,445
Refunds received	296,448
Medical claims paid	(6,541,672)
Administrative expenses paid	(673,811)
Contributions to health savings accounts	(208,228)
Healthcare reimbursements paid	<u>(362,260)</u>
Net cash provided by operating activities	670,922
<b>Cash and cash equivalents - beginning</b>	<u>6,671,966</u>
<b>Cash and cash equivalents - ending</b> (displayed as <i>cash and investments</i> on the statement of fund net position)	<u><u>\$ 7,342,888</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 1,049,487
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(168,944)
Increase in medical claims payable	152,639
Decrease in health reimbursement accounts	<u>(362,260)</u>
Net cash provided by operating activities	<u><u>\$ 670,922</u></u>

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

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Park City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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. As required by GAAP, these financial statements present the District and its blended component unit, Park City Education Foundation (the Foundation), for which the District is considered to be financially accountable. The Foundation exclusively benefits the District and its students. Most of the administrative costs of the Foundation are financed by the District. A blended component unit, although a legally separate entity, is in substance part of the District’s operations.

**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 component unit. These statements include the financial activities of the overall government. 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 instruction, school administration, operation and maintenance of facilities, and nutrition 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. 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.

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 *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:



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

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- The *self-insurance fund* (a proprietary fund) is the only internal service fund used by the District and accounts for the risk management services associated with the District's self-insurance plan covering employee health and accident and dental claims and healthcare reimbursements. Premiums are charged to the District's other funds to cover anticipated costs.

Classifications of expenditures/expenses are reported by function. The function describes the activity for which a service or material object is acquired. The functions of the District are classified into six broad areas: instruction, supporting services, nutrition services, community services, contributions to other governments, and capital outlay. Functions are further classified into subfunctions.

- Instruction – Instruction includes the activities dealing directly with the interaction between teachers and students. This function includes teachers, aides, textbooks, and classroom supplies.
- Supporting services – Supporting services provide administrative, technical (such as guidance and curriculum development), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services, and nutrition services, rather than as entities within themselves.

*Student* – Activities designed to assess and improve the well-being of students and to supplement the teaching process. This subfunction includes attendance, guidance, health, and therapy services.

*Instructional staff* – Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students. This subfunction includes improvement of instruction, instruction and curriculum development, instructional staff training, library and media, instruction-related technology, and academic student assessment services.

*Executive administration* – Activities concerned with establishing and administering policy for operating the District. This subfunction includes Board of Education, superintendent, and community relation services.

*School administration* – Activities concerned with overall administrative responsibility for a school. This subfunction includes principals, assistants, records, and clerical services.

*Central* – Activities that support other administrative and instructional functions, including fiscal services, purchasing, printing, human resources, planning, and administrative information technology.

*Operation and maintenance of facilities* – Activities concerned with keeping physical facilities open, comfortable, and safe for use and with keeping grounds, buildings, and equipment in effective working conditions and state of repair.

*Student transportation* – Activities concerned with conveying students to and from school, as provided by state and federal law. These include trips between home and school and trips to school activities as well as vehicle acquisition, operation, and maintenance.

- Nutrition services – Nutrition services include activities concerned with providing food to students and staff in a school as part of the National School Lunch Program. Program revenues include federal and state reimbursements, federal donated commodities, and lunch sales.

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

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- Community services – Community services include activities concerned with providing services to the community. Examples of this function are offering after-school, operating a swimming pool, and providing other community recreation programs.
- Contributions to other governments – Contributions to other governments include required payments to other governments of property taxes levied by the District of 1) incremental taxes to a redevelopment agency, 2) excess basic levy collections to the state, and 3) the charter school levy to the state.
- Capital outlay – Capital outlay includes payments for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment.

**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 generally 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 pension benefits, claims and judgments, 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.

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

**Budgetary data** – The District operates within the budget requirements for school districts as specified by Utah 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 for the Foundation, which operates within its own budget. A budget for the self-insurance fund is not required. 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.

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

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- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time 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 usually adopted in August when 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 budget reallocation from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2018 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. The pool’s investments 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 Public Treasurers’ Investment Fund (PTIF).

**Receivables and payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds.”

**Inventories and prepaid items** – Inventories are valued at cost or, if donated, at acquisition value when received, stated at the lower of average cost or market. 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 that they are not expected to be converted to cash.

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

**Capital assets** – Capital assets, which include land, construction in progress, buildings and improvements, and equipment and buses, 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, equipment and buses and \$100,000 for buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives 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 improvements and equipment and buses of the District are depreciated using the straight-line method over the estimated useful lives as indicated in the following chart:

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

Assets	Years
Buildings	50
Athletic field improvements	20
Musical instruments	20
Kitchen equipment	15
Maintenance equipment	15
School buses and vehicles	10
Copiers	7
Computer equipment and software	5

**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. Pension plan investments are reported at fair value.

**Vacation and sick leave** – Under terms of association agreements, employees are granted vacation leave in amounts varying with tenure. Under Board policy, the District provides employees a sick leave incentive available to all employees upon their separation from the District. The benefit is up to 25% (based on years of service within the District) of the amount of unused sick leave days allowed to be accumulated using the daily rate of pay at the time of separation. The District records expenditures in the governmental funds for vacation and sick pay benefits at the time of separation. An expense and related liability are recorded in the governmental-wide financial statements as these benefits are earned. The liability will be paid by the fund in which the employee worked.

**Long-term obligations** – In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the statement of net position and include net pension liability, unpaid vacation, accrued sick leave, medical claims payable, and health reimbursement account.

In the fund financial statements, governmental funds usually recognize expenditures when paid; long-term obligations are not reported as liabilities in the governmental funds.

**Deferred outflows of resources** – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Deferred inflows of resources** – 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.

**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*.

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

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Net position is divided into three components: investment in capital assets (capital assets net of accumulated depreciation), 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 endowments, inventories, and prepaid items are classified as nonspendable.
- Restricted – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the unspent tax revenue for specific purposes (capital outlay), remaining amounts for nutrition services held in other governmental funds (*food services fund*), and unspent expendable donations for scholarships held in other governmental funds (*Park City Education Foundation*).
- 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) Economic stabilization. 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) Food services program. Beginning in 2017, the Board committed to support the food services program for three years from the *general fund*. The annual commitment is \$190,000.
- Assigned – This category includes resources held in the governmental funds to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the business administrator to assign fund balances. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District has assigned amounts in the *general fund* that it

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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intends to be used for a specific purpose but are neither restricted nor committed. Also residual balances in other governmental funds are classified as assigned fund balances.

- Unassigned – Residual balances in the *general fund* are classified as unassigned.

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

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

**2. DEPOSITS AND INVESTMENTS**

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2018 as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 6,981,836
Carrying amount of investments	<u>46,928,822</u>
Total cash and investments	<u><u>\$ 53,910,658</u></u>
Governmental funds cash and investments	\$ 46,567,770
Internal service fund cash and investments	<u>7,342,888</u>
Total cash and investments	<u><u>\$ 53,910,658</u></u>

The District complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the 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 Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US 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.

**Deposits** – At June 30, 2018, the District and Foundation have the following deposits with financial institutions:

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

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	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Amount Insured</b>
Park City School District	\$ 5,597,586	\$ 6,792,988	\$ 315,762
Park City Education Foundation	1,384,250	1,411,664	500,000
	<u>\$ 6,981,836</u>	<u>\$ 8,204,652</u>	<u>\$ 815,762</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, 2018, the uninsured amount of the District’s and Foundation’s bank deposits was uncollateralized nor is it required to be collateralized by state law.

**Investments** – At June 30, 2018, the District and Foundation have the following investments:

<b>Investment Type</b>	<b>Fair Value</b>
Park City School District:	
Utah Public Treasurers' Investment Fund (PTIF)	\$ 45,703,955
Park City Education Foundation:	
U.S. Treasury bond ETF	593,344
Common stock ETF	631,523
Total investments	<u>\$ 46,928,822</u>

The District invests with the PTIF. 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, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, certificates of deposit, and repurchase agreements. The portfolio has a weighted average maturity of 52 days. The PTIF is not rated. The fair value of the position in the pool is the same as the value of the pool shares.

The Foundation invests through a broker in three exchange-traded funds (ETFs): a U.S. Treasury bond ETF and two common stock ETFs. An ETF is a marketable security that tracks an index or bonds. An ETF owns the underlying assets (shares of stocks or bonds) and divides ownership of those assets into shares. Shareholders indirectly own these assets and are entitled to a portion of the earnings. ETF shares are traded on public stock exchanges. The U.S. Treasury bond ETF invests only in U.S. Treasury bonds with maturities from one to three years. This fund has an AAA credit rating and a weighted average maturity of two years. The common stock ETFs seek to provide investment results that correspond to developed equities based in Europe, Australia, and the Far East or the S&P 500 Index (composed of five hundred selected stocks, all of which are listed on national stock exchanges and spans over 25 separate industry groups).

- 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

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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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 or by Standard & Poor's. The District has no investment policy that would further limit its investment choices.
- Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.
- Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

### 3. FAIR VALUE MEASUREMENTS

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

The District has the following recurring fair value measurements as of June 30, 2018:

- Public Treasurers' Investment Fund of \$45,703,955 is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).
- U.S Treasury bond exchange-traded fund of \$593,344 is valued using quoted market prices (Level 2 inputs).
- Common stock exchange-traded fund of \$631,523 is valued at quoted market prices (Level 2 inputs).



**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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**4. PROPERTY TAXES**

**District property tax revenue** – The property tax revenue of the District is collected and distributed by the Summit 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 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.

An annual uniform fee based on the age of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles that is due each time a vehicle is registered. Revenue collected in each county from motor vehicle fees is distributed by the county to each taxing entity 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, 2018, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2018 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.

**Contributions to other governments** – The District is required to allocate some of the property taxes it levies to other governments as follows:

- Incremental taxes – In addition to property taxes the District levies for its own purposes, the District levies property taxes for Park City Redevelopment Agency (the Agency), a legally separate governmental entity which is reported as a component unit of Park City Municipal Corporation. The incremental taxes are administered in accordance with the Community Development and Renewal Agencies Act (*Utah Code 17C-1*). Collections of these taxes are forwarded directly by Summit County to the Agency.

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 Agency. Project completion dates range from 2021 to 2031.

In 2018, incremental taxes levied by the District for the Agency totaling \$2,749,940 were recorded in the other governmental funds (*pass-through taxes fund*).

As part of a mitigation agreement between the Agency and the District, the Agency paid the District \$791,234 during the year ended June 30, 2018. Of the amount paid, the agreement requires the District to allocate 61% to general purposes and 39% for capital outlay.

- Basic levy recapture (and basic levy incremental tax) – The state guarantees a contribution to a school district's basic program when the amount generated by weighted pupil units exceeds the amount of tax revenue produced by the basic levy. When a school district produces tax revenue from the basic levy in excess of what is to be applied to the amount generated by weighted pupil units, the excess is paid (or recaptured) to the state. In 2016 per *Utah Code 53A-17a-135*, the state added an incremental rate to the basic levy. This incremental tax is paid by the District to the state to fund certain state programs. The District is not eligible to participate in these state programs even though it is required to levy the

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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incremental tax. In 2018, combined basic levy recapture and basic levy incremental tax of \$3,398,532 was paid from the *general fund*.

- Charter school levy – Per *Utah Code 53F-2-703*, a portion of the District’s board local levy is paid to the statewide charter school levy account. The portion is based on the number of charter school students residing within the District’s boundaries. In 2018, the amount collected by the County and paid directly to the State was \$691,220; this amount is reported in the District’s *pass-through taxes fund*.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 4,928,568	\$ -	\$ -	\$ 4,928,568
Construction in progress	246,203	1,811,922	(908,681)	1,149,444
Total capital assets, not being depreciated	5,174,771	1,811,922	(908,681)	6,078,012
Capital assets, being depreciated:				
Buildings and improvements	143,241,942	908,681	-	144,150,623
Equipment and buses	8,213,682	516,880	(91,088)	8,639,474
Total capital assets, being depreciated	151,455,624	1,425,561	(91,088)	152,790,097
Accumulated depreciation for:				
Buildings and improvements	(51,167,148)	(2,914,104)	-	(54,081,252)
Equipment and buses	(5,786,994)	(513,735)	86,256	(6,214,473)
Total accumulated depreciation	(56,954,142)	(3,427,839)	86,256	(60,295,725)
Total capital assets, being depreciated, net	94,501,482	(2,002,278)	(4,832)	92,494,372
Governmental activities capital assets, net	<u>\$ 99,676,253</u>	<u>\$ (190,356)</u>	<u>\$ (913,513)</u>	<u>\$ 98,572,384</u>

For the year ended June 30, 2018, depreciation expense was charged to functions of the District as follows:

<b>Governmental activities:</b>	
Instruction	\$ 2,558,810
Supporting services:	
General administration	44,576
School administration	140,882
Business	18,497
Operation and maintenance of facilities	188,847
Student transportation	284,503
Food services	154,553
Community services	37,171
Total depreciation expense, governmental activities	<u>\$ 3,427,839</u>

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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**6. 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* which includes the *Tier 2 Public Employees Defined Contribution Plan* (Tier 2 Defined Contribution Plan)
- *457 Plan* and other individual plans

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

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

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

**Benefits provided** – The URS provides retirement, disability, and death benefits to participants in the plans.

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

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

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

For the year ended June 30, 2018, District required contribution rates for the plans were as follows:

	<b>Defined Benefit Plans Rates</b>			<b>District Rates for 401(k) Plan</b>	<b>Totals</b>
	<b>District Contribution</b>	<b>Amortization of UAAL *</b>	<b>Paid by District for Employee</b>		
Tier 1 Noncontributory System	12.25%	9.94%	-	1.50%	23.69%
Tier 1 Contributory System	5.45%	12.25%	5.00%	-	22.70%
Tier 2 Contributory System **	8.50%	9.94%	-	1.58%	20.02%
Tier 2 Defined Contribution Plan **	0.08%	9.94%	-	10.00%	20.02%

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

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

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

For the year ended June 30, 2018, District and employee contributions to the plans were as follows:

	<b>District Contributions *</b>	<b>Employee Contributions</b>
Tier 1 Noncontributory System	\$ 5,417,125	\$ -
Tier 1 Contributory System	2,580	146
Tier 2 Contributory System	1,610,583	-
Tier 2 Defined Benefit Plan	210,172	-
401(k) Plan	776,552	997,370
457 Plan and other individual plans	-	202,879

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

**Pension assets and liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At June 30, 2018, the District reported an asset of zero and a liability of \$22,744,114 for its proportionate share of the net pension liability (asset) for the following plans:

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

	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Tier 1 Noncontributory System	\$ -	\$ 22,662,639
Tier 1 Contributory System	-	16,666
Tier 2 Contributory System	-	64,809
Total	\$ -	\$ 22,744,114

The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability was determined by an actuarial valuation as of January 1, 2017, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2017 and the change in its proportion since the prior measurement date for each plan:

	<b>Proportionate Share</b>	
	<b>2017</b>	<b>Change</b>
Tier 1 Noncontributory System	0.9267600%	0.0307480%
Tier 1 Contributory System	0.2532695%	-0.1962120%
Tier 2 Contributory System	0.7350711%	0.1309305%

For the year ended June 30, 2018, the District recognized pension expense of \$6,235,076 for the defined benefit pension plans and pension expense of \$776,552 for the defined contribution plans. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,426	\$ 1,373,440
Changes of assumptions	5,809,377	178,808
Net difference between projected and actual earnings on pension plan investments	3,785,282	9,591,615
Changes in proportion and differences between District contributions and proportionate share of contributions	680,098	299,206
District contributions subsequent to the measurement date	3,700,159	-
Total	\$ 13,977,342	\$ 11,443,069

The \$3,700,159 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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<b>Year Ending June 30,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2019	\$ 775,674
2020	1,288,236
2021	(1,205,918)
2022	(2,083,985)
2023	(13,688)
Thereafter	73,795

**Actuarial assumptions** – The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 9.75%, average, including inflation
Investment rate of return	6.95%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2016. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date include a decrease in the earnings assumptions from 7.20% to 6.95%, a decrease in the inflation assumption from 2.60% to 2.50%, and increases in life expectancy for most groups based on a new post retirement mortality table using actual experience. Additional changes of assumptions include a decrease to the wage inflation assumption from 3.35% to 3.25% and a decrease to the payroll growth assumption from 3.1% to 3.0%.

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

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

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	Expected Return Arithmetic Basis		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50% and a real return of 4.45% that is net of investment expense.

**Discount rate** – The discount rate used to measure the total pension liability was 6.95%. 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 from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was reduced to 6.95% from 7.20% from the prior measurement date.

**Sensitivity of the District’s proportionate share of the net pension liability (asset) to changes in the discount rate** – The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95%, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 49,482,127	\$ 22,662,639	\$ 246,943
Tier 1 Contributory System	219,641	16,666	(156,137)
Tier 2 Contributory System	763,097	64,809	(473,671)
Total	\$ 50,464,865	\$ 22,744,114	\$ (382,865)

**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, 2018, the District reported payables of \$1,020,986 for contributions to defined benefit pension plans and \$288,337 for contributions to defined contribution plans.

**PARK CITY SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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**7. RISK MANAGEMENT**

The *self-insurance fund*, an internal service fund, was established to pay self-insurance claims for health and accident and dental coverage and healthcare reimbursements for qualified District employees. The District carries commercial insurance, which covers claims in excess of \$125,000. The fund collects premiums, as established by the District and the plan administrator, from other District funds. The District has recorded an estimate of claims incurred but not reported of \$1,886,758 as of June 30, 2018. This liability is based on experience and information provided by the plan administrator. The following table shows a history of accrued claims payable for the years ended June 30, 2018 and 2017:

	<b>Medical Coverage</b>	
	<b>2018</b>	<b>2017</b>
Medical claims payable (beginning of year)	\$ 1,734,119	\$ 1,556,261
Medical claims (including incurred but not reported)	7,678,863	6,497,856
Payments of medical claims and administrative costs	(7,526,224)	(6,319,998)
Medical claims payable (end of year)	\$ 1,886,758	\$ 1,734,119

The District has established health reimbursement accounts (HRA) for certain qualifying employees not participating in the District's health and accident plan. The District makes annual contributions to the HRAs; the HRA balances are reduced by reimbursements paid up to the amount available in the HRA. Upon termination, any accumulated balance is forfeited to the District. The following table shows a history of accumulated balances in HRAs for the years ended June 30, 2018 and 2017:

	<b>Health Reimbursement Accounts</b>	
	<b>2018</b>	<b>2017</b>
Health reimbursement accounts (beginning of year)	\$ 1,035,719	\$ 1,544,682
Contributions to health reimbursement accounts	-	28,802
Forfeitures for terminated employees	(42,688)	(16,488)
Healthcare reimbursements paid	(319,572)	(521,277)
Health reimbursement accounts (end of year)	\$ 673,459	\$ 1,035,719

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10,000,000 per occurrence through policies administered by the Utah State Risk Management Fund. The District pays an annual premium to the 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 Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District's insurance coverage for any of the past three years. The District also maintains a public treasurer's fidelity bond of \$1,500,000 with a private carrier.

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



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

**8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2018 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due or Payable Within One Year</b>
Net pension liability	\$ 29,352,692	\$ 627,996	\$ (7,236,574)	\$ 22,744,114	\$ -
Unpaid vacation	219,440	220,152	(218,244)	221,348	177,078
Accrued sick leave	755,614	165,817	(102,284)	819,147	163,829
Medical claims payable	1,734,119	7,678,863	(7,526,224)	1,886,758	1,886,758
Health reimbursement accounts	1,035,719	-	(362,260)	673,459	336,730
Total long term liabilities	<u>\$ 33,097,584</u>	<u>\$ 8,692,828</u>	<u>\$ (15,445,586)</u>	<u>\$ 26,344,826</u>	<u>\$ 2,564,395</u>

**9. COMMITMENTS**

The District had a noncancelable operating lease agreement for equipment; the lease agreement expired in 2018. Lease payments for the year ended June 30, 2018 totaled \$64,674.

Also, the District is obligated at June 30, 2018 under construction commitments totaling \$1,248,172, with costs to date of \$1,149,444 (see Note 5); costs to complete the construction projects will be financed with resources accumulated in the capital projects fund.

**10. TRANSFERS AND INTERFUND BALANCES**

The District transferred \$261,222 from the *general fund* to the other governmental funds primarily to cover administrative costs incurred by the Park City Education Foundation.

Amounts due to and due from other funds at June 30, 2018 include \$416,510 due from other governmental funds (the *Park City Education Foundation fund*) to the *general fund* for personnel and other administrative costs.

**11. LITIGATION AND 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 significantly affect the financial statements of the District.

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 are 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.

All fund balances are positive at June 30, 2018.

Fund expenditures are within budgeted amounts during the year ended June 30, 2018.

**Required Supplementary Information**

**PARK CITY SCHOOL DISTRICT**  
**Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)**  
**Utah Retirement Systems**  
**Last Four Plan (Calendar) Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Tier 1 Noncontributory System:</b>				
District's proportion of the net pension liability (asset)	0.9267600%	0.8960120%	0.9162832%	0.9007547%
District's proportionate share of the net pension liability (asset)	\$ 22,662,639	\$ 29,039,004	\$ 28,783,079	\$ 22,631,720
District's covered payroll	\$ 23,821,730	\$ 23,880,531	\$ 24,539,515	\$ 24,778,611
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	95.1%	121.6%	117.3%	91.3%
Plan fiduciary net position as a percentage of the total pension liability	89.2%	84.9%	84.5%	87.2%
<b>Tier 1 Contributory System:</b>				
District's proportion of the net pension liability (asset)	0.2532695%	0.4494815%	0.5218030%	0.4366610%
District's proportionate share of the net pension liability (asset)	\$ 16,666	\$ 246,297	\$ 326,989	\$ 47,879
District's covered payroll	\$ 57,626	\$ 120,491	\$ 165,295	\$ 160,058
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.9%	204.4%	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	99.2%	93.4%	92.4%	98.7%
<b>Tier 2 Contributory System:</b>				
District's proportion of the net pension liability (asset)	0.7350711%	0.6041406%	0.5764658%	0.5797030%
District's proportionate share of the net pension liability (asset)	\$ 64,809	\$ 67,391	\$ (1,258)	\$ (17,568)
District's covered payroll	\$ 7,214,233	\$ 4,954,443	\$ 3,722,327	\$ 2,836,017
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.9%	1.4%	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	97.4%	95.1%	100.2%	103.5%

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

**PARK CITY SCHOOL DISTRICT**  
**Schedules of District Contributions**  
**Utah Retirement Systems**  
Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Tier 1 Noncontributory System:</b>				
Contractually required contribution	\$ 5,417,125	\$ 5,137,730	\$ 5,315,383	\$ 5,313,716
Contributions in relation to the contractually required contribution	<u>(5,417,125)</u>	<u>(5,137,730)</u>	<u>(5,315,383)</u>	<u>(5,313,716)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,695,340	\$ 23,482,993	\$ 24,295,601	\$ 24,617,692
Contributions as a percentage of covered payroll	21.9%	21.9%	21.9%	21.6%
<b>Tier 1 Contributory System:</b>				
Contractually required contribution	\$ 2,580	\$ 15,237	\$ 28,357	\$ 28,329
Contributions in relation to the contractually required contribution	<u>(2,580)</u>	<u>(15,237)</u>	<u>(28,357)</u>	<u>(28,329)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,577	\$ 86,087	\$ 160,208	\$ 162,624
Contributions as a percentage of covered payroll	17.7%	17.7%	17.7%	17.4%
<b>Tier 2 Contributory System:</b>				
Contractually required contribution	\$ 1,610,583	\$ 1,075,782	\$ 768,661	\$ 588,177
Contributions in relation to the contractually required contribution	<u>(1,610,583)</u>	<u>(1,075,782)</u>	<u>(768,661)</u>	<u>(588,177)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,735,480	\$ 5,893,766	\$ 4,217,092	\$ 3,244,261
Contributions as a percentage of covered payroll	18.4%	18.3%	18.2%	18.1%
<b>Tier 2 Defined Contribution Plan:</b>				
Contractually required contribution	\$ 210,172	\$ 168,438	\$ 148,591	\$ 114,630
Contributions in relation to the contractually required contribution	<u>(210,172)</u>	<u>(168,438)</u>	<u>(148,591)</u>	<u>(114,630)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,073,778	\$ 1,675,567	\$ 1,468,700	\$ 1,121,756
Contributions as a percentage of covered payroll	10.1%	10.1%	10.1%	10.2%

These schedules only present information for the District's 2015 and subsequent reporting periods; prior-year information is not available.

**PARK CITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

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**A. Changes in Assumptions-Utah Retirement Systems**

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017 valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%

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

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

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

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

**B. Schedules of District Contributions-Utah Retirement Systems**

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

**Combining and Individual Fund  
Statements and Schedules**





















## **OTHER INFORMATION**















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

Last Four Fiscal Years with Anticipated Budget for 2019

	Anticipated Budget		2018		2017		2016		2015	
	Tax Rate	Budget	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
<b>General Fund:</b>										
Basic	0.001666	\$ 26,133,719	0.001568	\$ 23,221,183	0.001675	\$ 23,393,784	0.001736	\$ 22,528,332	0.001419	\$ 16,751,252
Board local	0.001206	18,510,230	0.000834	12,351,063	0.000945	13,198,284	0.001018	13,210,738	0.001120	13,221,566
Voted local	0.001130	17,725,752	0.001161	17,193,746	0.001240	17,318,383	0.001323	17,168,769	0.001449	17,105,401
Judgment recovery	-	-	-	-	-	-	-	-	0.000069	814,543
Total general fund	0.004002	62,369,701	0.003563	52,765,992	0.003860	53,910,451	0.004077	52,907,839	0.004057	47,892,762
<b>Pass-Through Taxes Fund:</b>										
Incremental taxes	-	2,033,180	-	2,058,720	-	1,886,023	-	1,962,976	-	1,911,673
Charter school	0.000039	611,493	0.000051	691,220	-	-	-	-	-	-
Total pass-through taxes fund	0.000039	2,644,673	0.000051	2,749,940	-	1,886,023	-	1,962,976	-	1,911,673
<b>Debt Service Fund:</b>										
Debt service	-	-	-	-	-	-	-	-	0.000293	3,458,856
<b>Capital Projects Fund:</b>										
Capital local	0.000328	5,145,174	0.000337	4,990,777	0.000360	5,027,918	0.000384	4,983,226	0.000420	4,958,088
Total tax rate / collections	0.004369	70,159,548	0.003951	60,506,709	0.004220	60,824,392	0.004461	59,854,041	0.004770	58,221,379
<b>Contributions to Other Governments:</b>										
Basic levy recapture		5,986,295		3,398,532		4,045,055		3,836,331		-
Incremental taxes		2,033,180		2,058,720		1,886,023		1,962,976		1,911,673
Charter school levy / local replacement		611,493		691,220		688,600		612,269		117,524
Total contributed		8,630,968		6,148,472		6,619,678		6,411,576		2,029,197
Net taxes retained by the District		\$ 61,528,580		\$ 54,358,237		\$ 54,204,714		\$ 53,442,465		\$ 56,192,182

**Notes:**

Tax rates are levied for the calendar year. For example, calendar year 2018 tax rates apply to the District's fiscal year ended June 30, 2019.

Collections include current taxes, redemptions (delinquent taxes collected in the current year) and fees in lieu of taxes (primarily motor vehicle fees).

Collections will differ from tax revenue reported in the fund financial statements which use the modified accrual basis of accounting.

The 2019 budget reflects the rates and anticipated collections as approved by the Board in August 2018.