

PARK CITY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2016

PARK CITY SCHOOL DISTRICT

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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, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Park City School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the

general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, 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 26, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aguirre & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
October 26, 2016

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, 2016.

Financial Highlights

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 3.6% in 2016 to \$59.9 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 \$126.7 million at the close of the most recent fiscal year, most of which is invested in capital assets.
- During the year, expenses were \$0.8 million less than the \$72.6 million generated in taxes and other revenues for governmental activities.
- District student enrollment increased by 24 students to a total of 4,763 students as of October 1, 2015 for the 2015-2016 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 earned but unused vacation and sick leave).

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 reimbursement accounts 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 39 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 can be found on pages 40 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 43 through 51 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 52 through 58 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$126.7 million at the close of the most recent fiscal year.

PARK CITY SCHOOL DISTRICT'S Net Position

June 30, 2016 and 2015

(in millions of dollars)

	Governmental activities		Total change
	2016	2015	2016-2015
Current and other assets	\$ 118.7	\$ 113.0	\$ 5.7
Capital assets	102.0	105.0	(3.0)
Total assets	220.7	218.0	2.7
Deferred outflows of resources	11.1	3.5	7.6
Current and other liabilities	9.4	7.7	1.7
Long-term liabilities outstanding	33.3	26.1	7.2
Total liabilities	42.7	33.8	8.9
Deferred inflows of resources	62.4	61.8	0.6
Net position:			
Net investment in capital assets	102.0	105.0	(3.0)
Restricted	22.3	21.8	0.5
Unrestricted	2.4	(0.9)	3.3
Total net position	\$ 126.7	\$ 125.9	\$ 0.8

- The largest portion of the District's net position (\$102.0 million or 80.5%) 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 (\$22.3 million or 17.6%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital outlay.
- The remaining net position (\$2.4 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 increased by \$3.3 million during the year ended June 30, 2016. This net increase reflects an increase in resources available in each of the District's funds.
- Restricted net position increased by \$0.5 million during the year ended June 30, 2016. This increase resulted primarily from an increase in unspent property tax revenue restricted for capital outlay.

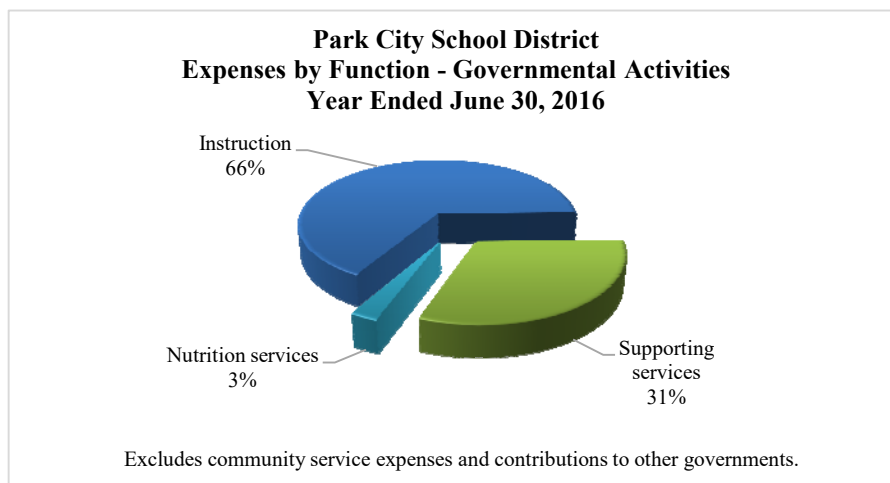
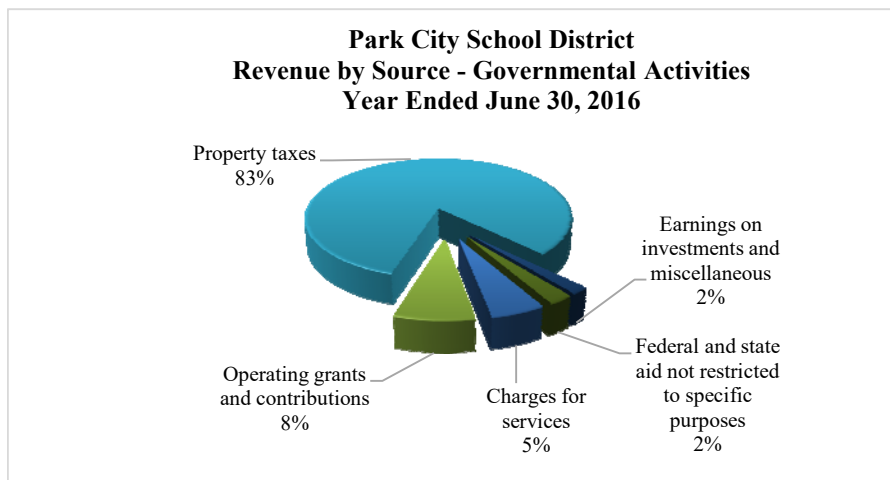
The District's total net position increased by \$0.8 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

PARK CITY SCHOOL DISTRICT'S Changes in Net Position
Years Ended June 30, 2016 and 2015
(in millions of dollars)

	Governmental activities		Total change
	2016	2015	2016-2015
Revenues:			
Program revenues:			
Charges for services	\$ 3.9	\$ 3.7	\$ 0.2
Operating grants and contributions	5.7	6.4	(0.7)
General revenues:			
Property taxes	59.9	57.8	2.1
Federal and state aid not restricted to specific purposes	1.8	1.8	-
Earnings on investments	0.5	0.2	0.3
Miscellaneous	0.8	0.8	-
Total revenues	<u>72.6</u>	<u>70.7</u>	<u>1.9</u>
Expenses:			
Instruction	42.2	38.4	3.8
Supporting services:			
Students	2.5	2.3	0.2
Instructional staff	3.1	3.0	0.1
General administration	0.6	0.6	-
School administration	2.9	2.9	-
Central	3.0	2.8	0.2
Operation and maintenance of facilities	5.1	4.7	0.4
Student transportation	2.5	2.6	(0.1)
Nutrition services	1.7	1.6	0.1
Community services	1.8	1.7	0.1
Contributions to other governments	6.4	1.8	4.6
Interest on long-term liabilities	-	0.1	(0.1)
Total expenses	<u>71.8</u>	<u>62.5</u>	<u>9.3</u>
Change in net position	0.8	8.2	(7.4)
Net position - beginning	<u>125.9</u>	<u>117.7</u>	<u>8.2</u>
Net position - ending	<u>\$ 126.7</u>	<u>\$ 125.9</u>	<u>\$ 0.8</u>

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 3.6% in 2016 to \$59.9 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, 2016 (\$3,092 during 2016 as compared to \$2,972 in 2015). The combination of an increase in the value of the WPU, an increase in student membership, and an increase in the state guarantee resulted in an increase of state WPU-based program revenue of \$0.9 million compared to the prior year.



Other state appropriations – Overall revenue from other state appropriations totaled \$4.1 million in 2016, about the same as what was received from the state in 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 \$1.8 million in 2015, about the same amount as what was received in the prior year.
- The District's total expenses increased by \$9.3 million to a total of \$71.8 million during 2016 as compared to the prior year. This increase is primarily from recording contributions to other governments from taxes levied by the District and 1) forwarded directly to a redevelopment agency within the District for the purposes of financing urban renewal, economic development, and community development projects (\$2.0 million); 2) paid to the state for taxes collected from the basic levy in excess of the state WPU guarantee (\$3.8 million); and 3) paid to the state for charter schools (\$0.6 million). Expenditures of instruction services increased for salaries and benefits and capital outlay.

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 \$43.3 million, \$3.1 million greater than the previous year. Included in this year's change in the combined fund balance is an increase in the fund balance of the *general fund* of \$2.1 million and an increase in the fund balance of the *capital projects fund* of \$0.6 million; this year's change also includes an increase in the fund balance of the other governmental funds of \$0.4 million. These increases resulted primarily from an increase in property tax revenues and an increase in contributions to other governments. 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 \$52.7 million, an increase of 2.3% during the current fiscal year. This compares to an 8.4% increase in 2015. Instruction represents 63.4% of *general fund* expenditures (excluding community service expenditures and contributions to other governments).
- *General fund* salaries totaled \$31.2 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$16.5 million to arrive at 81.0% of total *general fund* expenditures.

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 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, 2016, the District's combined governmental fund balance is \$43.3 million (\$0.1 million in nonspendable, \$22.2 million in restricted, \$3.2 million in committed, \$3.6 million in assigned, and \$14.2 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.7 million or 1.2% in total *general fund* revenues to reflect an increase in anticipated tax collections of property taxes and a decrease in state revenues.

Actual expenditures were \$1.6 million less than final budgeted amounts. Actual revenues were \$1.0 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, 2016 amounts to \$102.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and buses. The total decrease in capital assets for the current year was \$3.0 million or 2.9%, primarily for depreciation expense.

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

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

	Governmental activities		Total change
	2016	2015	2016-2015
Land	\$ 4.9	\$ 4.9	\$ -
Buildings and improvements	94.6	97.4	(2.8)
Equipment and buses	2.5	2.7	(0.2)
Total capital assets	<u>\$ 102.0</u>	<u>\$ 105.0</u>	<u>\$ (3.0)</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

School Year	Enrollment	Change
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%
2008-09	4,477	0.8%
2007-08	4,443	2.5%

Enrollment for the 2015-2016 school year increased by 24 students to a total of 4,763 students. A public charter school opened within the District's boundaries in the 2010-11 school year; the charter school enrolled 579 students in the 2015-2016 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, 2016

	Governmental Activities
Assets:	
Cash and investments	\$ 57,794,712
Receivables:	
Property taxes	60,050,209
Local	91,213
State	136,133
Federal	552,852
Inventories and prepaid items	119,399
Net pension asset	1,258
Capital assets:	
Land	4,928,568
Other capital assets, net of accumulated depreciation	97,055,896
Total assets	<u>220,730,240</u>
Deferred outflows of resources:	
Related to pensions	<u>11,102,953</u>
Liabilities:	
Accounts and contracts payable	3,446,679
Accrued payroll and related benefits	5,595,832
Unearned revenue:	
Local	175,655
State	206,513
Long-term liabilities:	
Portion due or payable within one year	2,722,001
Portion due or payable after one year	30,544,574
Total liabilities	<u>42,691,254</u>
Deferred inflows of resources:	
Property taxes levied for future year	59,628,969
Related to pensions	2,839,926
Total deferred inflows of resources	<u>62,468,895</u>
Net position:	
Net investment in capital assets	101,984,464
Restricted for:	
Capital outlay	21,729,757
Nutrition services	381,558
Scholarships	219,015
Unrestricted	2,358,250
Total net position	<u><u>\$ 126,673,044</u></u>

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

PARK CITY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2016

Activities / Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 42,253,598	\$ 2,820,014	\$ 3,398,175	\$ (36,035,409)
Supporting services:				
Student	2,474,259	-	301,090	(2,173,169)
Instructional staff	3,086,850	-	128,972	(2,957,878)
General administration	574,325	-	-	(574,325)
School administration	2,947,831	-	-	(2,947,831)
Central	2,992,336	-	-	(2,992,336)
Operation and maintenance of facilities	5,136,891	9,500	-	(5,127,391)
Student transportation	2,502,914	1,843	887,941	(1,613,130)
Nutrition services	1,655,328	577,436	935,553	(142,339)
Community services	1,793,806	497,001	10,982	(1,285,823)
Contributions to other governments	6,411,576	-	-	(6,411,576)
Total school district	<u>\$ 71,829,714</u>	<u>\$ 3,905,794</u>	<u>\$ 5,662,713</u>	<u>(62,261,207)</u>
General revenues:				
Property taxes levied for:				
Basic				22,559,737
Board local				13,229,155
Voted local				17,192,703
Capital local				4,990,172
Tax increment financing				<u>1,962,976</u>
Total property tax revenue				59,934,743
Federal and state aid not restricted to specific purposes				1,815,407
Earnings on investments				499,706
Miscellaneous				<u>819,547</u>
Total general revenues				<u>63,069,403</u>
Change in net position				808,196
Net position - beginning				<u>125,864,848</u>
Net position - ending				<u><u>\$ 126,673,044</u></u>

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

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

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Assets:				
Cash and investments	\$ 25,482,817	\$ 23,630,287	\$ 3,100,685	\$ 52,213,789
Receivables:				
Property taxes	53,059,297	4,948,535	2,042,377	60,050,209
Local	65,865	-	25,348	91,213
State	43,635	-	92,498	136,133
Federal	540,664	-	12,188	552,852
Inventories and prepaid items	72,835	-	46,564	119,399
Due from other funds	276,448	-	-	276,448
Total assets	<u>\$ 79,541,561</u>	<u>\$ 28,578,822</u>	<u>\$ 5,319,660</u>	<u>\$ 113,440,043</u>
Liabilities:				
Accounts and contracts payable	\$ 1,476,609	\$ 1,934,131	\$ 35,939	\$ 3,446,679
Accrued payroll and related benefits	5,595,832	-	-	5,595,832
Unearned revenue:				
Local	100,075	-	75,580	175,655
State	206,513	-	-	206,513
Due to other funds	-	-	276,448	276,448
Total liabilities	<u>7,379,029</u>	<u>1,934,131</u>	<u>387,967</u>	<u>9,701,127</u>
Deferred inflows of resources:				
Unavailable local revenue	-	-	20,500	20,500
Unavailable property tax revenue	715,803	66,759	27,370	809,932
Property taxes levied for future year	52,699,028	4,914,934	2,015,007	59,628,969
Total deferred inflows of resources	<u>53,414,831</u>	<u>4,981,693</u>	<u>2,062,877</u>	<u>60,459,401</u>
Fund balances:				
Nonspendable:				
Inventories and prepaid items	72,835	-	46,564	119,399
Restricted for:				
Capital outlay	-	21,662,998	-	21,662,998
Nutrition services	-	-	355,174	355,174
Scholarships	-	-	198,515	198,515
Committed to:				
Economic stabilization	3,156,478	-	-	3,156,478
Assigned to:				
Compensated absences	975,235	-	21,710	996,945
Students	-	-	686,516	686,516
Foundation	-	-	1,560,337	1,560,337
Basic levy recapture	350,000	-	-	350,000
Unassigned	14,193,153	-	-	14,193,153
Total fund balances	<u>18,747,701</u>	<u>21,662,998</u>	<u>2,868,816</u>	<u>43,279,515</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 79,541,561</u>	<u>\$ 28,578,822</u>	<u>\$ 5,319,660</u>	<u>\$ 113,440,043</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, 2016

Total fund balances for governmental funds	\$	43,279,515
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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	
Buildings and improvements, net of \$48,261,682 accumulated depreciation		94,548,313	
Equipment and buses, net of \$5,922,299 accumulated depreciation		2,507,583	101,984,464

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	809,932	
Unavailable local revenue	20,500	830,432

The net pension asset is not an available resource and therefore is not reported in the governmental funds. 1,258

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	(29,110,068)	
Deferred outflows of resources related to pensions	11,102,953	
Deferred inflows of resources related to pensions	(2,839,926)	
Unpaid vacation	(225,652)	
Accrued sick leave	(771,293)	(21,843,986)

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:

2,421,361

Total net position of governmental activities	\$	126,673,044
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The notes to the financial statements are an integral part of this statement.

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

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Revenues:				
Local:				
Property taxes	\$ 53,026,849	\$ 5,063,229	\$ 1,962,976	\$ 60,053,054
Earnings on investments	220,872	161,486	117,348	499,706
Other	2,960,715	296,998	4,033,106	7,290,819
State	3,892,264	-	234,710	4,126,974
Federal	1,139,370	-	700,843	1,840,213
Total revenues	<u>61,240,070</u>	<u>5,521,713</u>	<u>7,048,983</u>	<u>73,810,766</u>
Expenditures:				
Current:				
Instruction	33,433,848	-	3,365,645	36,799,493
Supporting services:				
Student	2,524,099	-	-	2,524,099
Instructional staff	3,141,797	-	-	3,141,797
General administration	558,830	-	-	558,830
School administration	2,865,742	-	-	2,865,742
Central	3,012,737	-	-	3,012,737
Operation and maintenance of facilities	4,992,209	-	-	4,992,209
Student transportation	2,184,942	-	-	2,184,942
Nutrition services	-	-	1,521,297	1,521,297
Community services	1,785,190	-	-	1,785,190
Contributions to other governments	4,448,600	-	1,962,976	6,411,576
Capital outlay	-	4,903,258	-	4,903,258
Total expenditures	<u>58,947,994</u>	<u>4,903,258</u>	<u>6,849,918</u>	<u>70,701,170</u>
Excess of revenues over expenditures	<u>2,292,076</u>	<u>618,455</u>	<u>199,065</u>	<u>3,109,596</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	24,242	-	24,242
Transfers in	-	-	180,609	180,609
Transfers out	(180,609)	-	-	(180,609)
Total other financing sources (uses)	<u>(180,609)</u>	<u>24,242</u>	<u>180,609</u>	<u>24,242</u>
Net change in fund balances	2,111,467	642,697	379,674	3,133,838
Fund balances - beginning	<u>16,636,234</u>	<u>21,020,301</u>	<u>2,489,142</u>	<u>40,145,677</u>
Fund balances - ending	<u>\$ 18,747,701</u>	<u>\$ 21,662,998</u>	<u>\$ 2,868,816</u>	<u>\$ 43,279,515</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, 2016

Net change in fund balances for governmental funds **\$ 3,133,838**

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	\$ 442,677	
Proceeds from sales of capital assets	(24,242)	
Gain on sale of capital assets	20,002	
Depreciation expense	<u>(3,486,691)</u>	(3,048,254)

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	(118,311)	
Local revenue	<u>(13,000)</u>	(131,311)

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	481,049	
Vacation and sick leave expense	<u>(69,664)</u>	411,385

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>442,538</u>	
Change in net position of governmental activities	<u><u>\$ 808,196</u></u>	

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

PARK CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Local:				
Property taxes	\$ 50,919,094	\$ 51,881,925	\$ 53,026,849	\$ 1,144,924
Earnings on investments	82,277	159,811	220,872	61,061
Other	2,745,840	3,033,110	2,960,715	(72,395)
State	4,680,661	3,991,640	3,892,264	(99,376)
Federal	1,155,900	1,211,800	1,139,370	(72,430)
Total revenues	<u>59,583,772</u>	<u>60,278,286</u>	<u>61,240,070</u>	<u>961,784</u>
Expenditures:				
Current:				
Instruction	35,125,517	34,615,163	33,433,848	1,181,315
Supporting services:				
Student	2,473,255	2,568,719	2,524,099	44,620
Instructional staff	3,424,557	3,512,677	3,141,797	370,880
General administration	588,053	604,926	558,830	46,096
School administration	2,832,428	2,914,706	2,865,742	48,964
Central	2,993,146	3,057,356	3,012,737	44,619
Operation and maintenance of facilities	4,853,100	4,899,774	4,992,209	(92,435)
Student transportation	2,427,955	2,288,329	2,184,942	103,387
Community services	1,625,496	1,598,872	1,785,190	(186,318)
Contributions to other governments	4,164,531	4,516,333	4,448,600	67,733
Total expenditures	<u>60,508,038</u>	<u>60,576,855</u>	<u>58,947,994</u>	<u>1,628,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(924,266)</u>	<u>(298,569)</u>	<u>2,292,076</u>	<u>2,590,645</u>
Other financing sources (uses):				
Transfers out	<u>(208,667)</u>	<u>(208,667)</u>	<u>(180,609)</u>	<u>28,058</u>
Net change in fund balances	<u>(1,132,933)</u>	<u>(507,236)</u>	<u>2,111,467</u>	<u>2,618,703</u>
Fund balances - beginning	<u>13,611,954</u>	<u>16,636,234</u>	<u>16,636,234</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 12,479,021</u></u>	<u><u>\$ 16,128,998</u></u>	<u><u>\$ 18,747,701</u></u>	<u><u>\$ 2,618,703</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, 2016

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 5,580,923
Liabilities:	
Medical claims payable	1,614,880
Health reimbursement accounts	<u>1,544,682</u>
Total liabilities	3,159,562
Net position:	
Unrestricted	<u>2,421,361</u>
Total net position	<u><u>\$ 2,421,361</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, 2016

	Governmental Activities - Internal Service Fund
Operating revenues:	
Premiums charged to other funds	\$ 7,803,521
Refunds	<u>65,538</u>
Total operating revenues	7,869,059
Operating expenses:	
Medical claims	5,825,205
Administrative expenses	564,837
Contributions to health reimbursement accounts	<u>1,036,479</u>
Total operating expenses	<u>7,426,521</u>
Total operating income / change in fund net position	442,538
Net position - beginning	<u>1,978,823</u>
Net position - ending	<u><u>\$ 2,421,361</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, 2016

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Insurance premiums received	\$ 7,803,521
Refunds received	65,538
Medical claims paid	(5,721,386)
Administrative expenses paid	(564,837)
Healthcare reimbursements paid	(453,292)
Net cash provided by operating activities	1,129,544
Cash and cash equivalents - beginning	4,451,379
Cash and cash equivalents - ending (displayed as <i>cash and investments</i> on the statement of fund net position)	\$ 5,580,923
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 442,538
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in medical claims payable	103,819
Increase in health reimbursement accounts	583,187
Net cash provided by operating activities	\$ 1,129,544

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements

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

- 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.

General 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

- 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. 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.
- 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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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, 2016 have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. 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, 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 chart below:

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/inflows of resources – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following sources that qualify for reporting in this category; these items are reported in the statement of net position:

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The following items arise only under a modified accrual basis of accounting and are reported in the governmental funds balance sheet; these items are deferred and recognized as an inflow of resources in the period that the amounts become available:

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.
- Unavailable local revenue – made up of uncollected pledges to the Foundation.

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

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

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

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

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

Net position is divided into three components: net investment in capital assets (capital assets net of 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 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 donations for scholarships held in other governmental funds (*Park City Education Foundation*).

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- 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) Community programs. The District maintains a commitment for unspent amounts generated by community recreation, community education, and other community programs accounted for in the *general fund*.
- 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 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.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2016 as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 6,240,690
Carrying amount of investments	<u>51,554,022</u>
Total cash and investments	<u><u>\$ 57,794,712</u></u>
Governmental funds cash and investments	\$ 52,213,789
Internal service fund cash and investments	<u>5,580,923</u>
Total cash and investments	<u><u>\$ 57,794,712</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, 2016, the District and Foundation have the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Park City School District	\$ 5,564,236	\$ 6,364,971	\$ 308,205
Park City Education Foundation	<u>676,454</u>	<u>695,321</u>	<u>500,000</u>
	<u><u>\$ 6,240,690</u></u>	<u><u>\$ 7,060,292</u></u>	<u><u>\$ 808,205</u></u>

- Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2016, the 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, 2016, the District and Foundation have the following investments:

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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<u>Investment Type</u>	<u>Fair Value</u>
Park City School District:	
Utah Public Treasurers' Investment Fund (PTIF)	\$ 50,158,748
Park City Education Foundation:	
U.S. Treasury bond ETF	682,072
Common stock ETF	<u>713,202</u>
Total investments	<u><u>\$ 51,554,022</u></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, and certificates of deposit. The portfolio has a weighted average maturity of 53 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 two exchange-traded funds (ETFs): a U.S. Treasury bond ETF and a common stock ETF. 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 remaining maturities greater than twenty years. This fund has an AAA credit rating and a weighted average maturity of 26 years. The common stock ETF seeks to provide investment results that correspond to the S&P 500 Index, which is 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 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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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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

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

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

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

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

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

- Public Treasurers' Investment Fund of \$50,158,748 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 \$682,072 is valued using quoted market prices (Level 1 inputs).
- Common stock exchange-traded fund of \$713,202 is valued at quoted market prices (Level 1 inputs).

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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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, 2016, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2016 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

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, 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 2016, incremental taxes levied by the District for the Agency totaling \$1,962,976 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 \$761,533 during the year ended June 30, 2016. Of the amount paid, the agreement requires the District to allocate 61% to general purposes and 39% for capital projects.

- 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 incremental tax. In 2016, combined basic levy recapture and basic levy incremental tax of \$3,771,638 was paid from the *general fund*.
- Charter school levy (formerly, charter school local replacement program) – For each charter school student residing within the District's boundaries, the state withholds a portion of its state funding to the District. The amount withheld is paid by the state to the charter school where the student is enrolled. In 2016, the amount withheld of \$688,600 was reported in the *general fund*.

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Notes to Basic Financial Statements
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5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 4,928,568	\$ -	\$ -	\$ 4,928,568
Capital assets, being depreciated:				
Buildings and improvements	142,809,995	-	-	142,809,995
Equipment and buses	8,128,789	442,677	(141,584)	8,429,882
Total capital assets, being depreciated	150,938,784	442,677	(141,584)	151,239,877
Accumulated depreciation for:				
Buildings and improvements	(45,356,216)	(2,905,466)	-	(48,261,682)
Equipment and buses	(5,478,418)	(581,225)	137,344	(5,922,299)
Total accumulated depreciation	(50,834,634)	(3,486,691)	137,344	(54,183,981)
Total capital assets, being depreciated, net	100,104,150	(3,044,014)	(4,240)	97,055,896
Governmental activities capital assets, net	<u>\$ 105,032,718</u>	<u>\$ (3,044,014)</u>	<u>\$ (4,240)</u>	<u>\$ 101,984,464</u>

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

Governmental activities:	
Instruction	\$ 2,560,829
Supporting services:	
General administration	26,647
School administration	140,450
Business	18,497
Operation and maintenance of facilities	195,265
Student transportation	356,746
Food services	151,172
Community services	37,085
Total depreciation expense, governmental activities	<u>\$ 3,486,691</u>

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)

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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Defined Contribution Plans (individual account plans):

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

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

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

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

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

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

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

	Defined Benefit Plans Rates			District Rates for 401(k) Plan
	District Contribution	Employee Paid	Paid by District for Employee	
Tier 1 Noncontributory System	22.19%	-	-	1.50%
Tier 1 Contributory System	17.70%	1.00%	5.00%	-
Tier 2 Contributory System *	8.22%	-	-	1.78%
Tier 2 Defined Contribution Plan *	-	-	-	10.00%

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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Employees can make additional contributions to defined contribution plans subject to limitations.

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

	<u>District Contributions</u>	<u>Employee Contributions</u>
Tier 1 Noncontributory System	\$ 5,315,383	\$ -
Tier 1 Contributory System	28,357	1,602
Tier 2 Contributory System	768,661	-
401(k) Plan	779,623	962,493
457 Plan and other individual plans	-	183,103

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2016, the District reported a net pension asset of \$1,258 and a net pension liability of \$29,110,068 for the following plans:

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	0.9162832%	\$ -	\$ 28,783,079
Tier 1 Contributory System	0.5218030%	-	326,989
Tier 2 Contributory System	0.5764658%	1,258	-
Total		<u>\$ 1,258</u>	<u>\$ 29,110,068</u>

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

For the year ended December 31, 2016, the District recognized pension expense of \$5,776,843 for the defined benefit pension plans and pension expense of \$779,623 for the defined contribution plans. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

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Notes to Basic Financial Statements
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,267,016
Changes of assumptions	-	572,910
Net difference between projected and actual earnings on pension plan investments	7,680,817	-
Changes in proportion and differences between contributions and proportionate share of contributions	304,346	-
District contributions subsequent to the measurement date	3,117,790	-
Total	<u>\$ 11,102,953</u>	<u>\$ 2,839,926</u>

The \$3,177,790 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 1,126,358
2018	1,126,358
2019	1,203,892
2020	1,707,732
2021	(3,510)
Thereafter	(15,593)

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

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

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

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

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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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:

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

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

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

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
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	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 52,096,287	\$ 28,783,079	\$ 9,234,924
Tier 1 Contributory System	739,329	326,989	(22,795)
Tier 2 Contributory System	230,772	(1,258)	(177,116)
Total	<u>\$ 53,066,388</u>	<u>\$ 29,108,810</u>	<u>\$ 9,035,013</u>

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

Payables to the pension plans – At June 30, 2016, the District reported payables of \$854,280 for contributions to defined benefit pension plans and \$255,075 for contributions to defined contribution plans.

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 \$1,614,880 as of June 30, 2016. 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, 2016 and 2015:

	Medical Coverage	
	2016	2015
Medical claims payable (beginning of year)	\$ 1,511,061	\$ 1,571,114
Medical claims (including incurred but not reported)	5,825,205	5,950,227
Payments of medical claims and administrative costs	<u>(5,721,386)</u>	<u>(6,010,280)</u>
Medical claims payable (end of year)	<u>\$ 1,614,880</u>	<u>\$ 1,511,061</u>

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, 2016 and 2015:

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Notes to Basic Financial Statements
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	Health Reimbursement Accounts	
	2016	2015
Health reimbursement accounts (beginning of year)	\$ 961,495	\$ 439,141
Contributions to health reimbursement accounts	1,036,479	868,251
Forfeitures for terminated employees	14,832	-
Healthcare reimbursements paid	(468,124)	(345,897)
Health reimbursement accounts (end of year)	<u>\$ 1,544,682</u>	<u>\$ 961,495</u>

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.

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due or Payable Within One Year
Net pension liability	\$ 22,679,599	\$ 12,688,361	\$ (6,257,892)	\$ 29,110,068	\$ -
Unpaid vacation	195,219	199,238	(168,805)	225,652	180,522
Accrued sick leave	732,062	155,058	(115,827)	771,293	154,259
Medical claims payable	1,511,061	6,390,042	(6,286,223)	1,614,880	1,614,880
Health reimbursement accounts	961,495	1,036,479	(453,292)	1,544,682	772,341
Total long term liabilities	<u>\$ 26,079,436</u>	<u>\$ 20,469,178</u>	<u>\$ (13,282,039)</u>	<u>\$ 33,266,575</u>	<u>\$ 2,722,001</u>

9. COMMITMENTS

The District has a noncancelable operating lease agreement for equipment. Lease payments for the year ending June 30, 2016 totaled \$323,370. Future minimum payments due under the lease are \$323,370 for each of the years ending June 30, 2017 through 2018.

10. TRANSFERS AND INTERFUND BALANCES

The District transferred \$180,609 from the *general fund* to the other governmental funds primarily to cover administrative costs incurred by the Park City Education Foundation.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Amounts due to and due from other funds at June 30, 2016 include \$276,448 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, 2016.

Fund expenditures are within budgeted amounts during the year ended June 30, 2016.

Required Supplementary Information

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

	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:		
District's proportion of the net pension liability (asset)	0.9162832%	0.9007547%
District's proportionate share of the net pension liability (asset)	\$ 28,783,079	\$ 22,631,720
District's covered-employee payroll	\$ 24,539,515	\$ 24,778,611
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117.3%	91.3%
Plan fiduciary net position as a percentage of the total pension liability	84.5%	87.2%
Tier 1 Contributory System:		
District's proportion of the net pension liability (asset)	0.5218030%	0.4366610%
District's proportionate share of the net pension liability (asset)	\$ 326,989	\$ 47,879
District's covered-employee payroll	\$ 165,295	\$ 160,058
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	92.4%	98.7%
Tier 2 Contributory System:		
District's proportion of the net pension liability (asset)	0.5764658%	0.5797030%
District's proportionate share of the net pension liability (asset)	\$ (1,258)	\$ (17,568)
District's covered-employee payroll	\$ 3,722,327	\$ 2,836,017
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%

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

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

	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:		
Contractually required contribution	\$ 5,315,383	\$ 5,313,716
Contributions in relation to the contractually required contribution	<u>(5,315,383)</u>	<u>(5,313,716)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 24,295,601	 \$ 24,617,692
Contributions as a percentage of covered-employee payroll	21.9%	21.6%
 Tier 1 Contributory System:		
Contractually required contribution	\$ 28,357	\$ 28,329
Contributions in relation to the contractually required contribution	<u>(28,357)</u>	<u>(28,329)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 160,208	 \$ 162,624
Contributions as a percentage of covered-employee payroll	17.7%	17.4%
 Tier 2 Contributory System:		
Contractually required contribution	\$ 768,661	\$ 588,177
Contributions in relation to the contractually required contribution	<u>(768,661)</u>	<u>(588,177)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 4,217,092	 \$ 3,244,261
Contributions as a percentage of covered-employee payroll	18.2%	18.1%

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

PARK CITY SCHOOL DISTRICT
Notes to Required Supplementary Information

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

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

**Combining and Individual Fund
Statements and Schedules**

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

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 51,881,925	\$ 53,026,849	\$ 1,144,924	\$ 47,571,866
Earnings on investments	159,811	220,872	61,061	120,776
Other	3,033,110	2,960,715	(72,395)	2,870,883
State	3,991,640	3,892,264	(99,376)	4,728,014
Federal	1,211,800	1,139,370	(72,430)	1,176,615
Total revenues	<u>60,278,286</u>	<u>61,240,070</u>	<u>961,784</u>	<u>56,468,154</u>
Expenditures:				
Current:				
Salaries	31,776,567	31,229,693	546,874	30,445,695
Employee benefits	16,764,015	16,534,057	229,958	16,463,475
Purchased professional services	462,594	407,795	54,799	416,900
Purchased property services	1,401,231	1,582,535	(181,304)	1,384,331
Other purchased services	1,126,522	811,709	314,813	762,787
Supplies	4,240,064	3,764,671	475,393	3,438,961
Equipment	177,843	151,084	26,759	157,663
Other objects	4,628,019	4,466,450	161,569	131,669
Total expenditures	<u>60,576,855</u>	<u>58,947,994</u>	<u>1,628,861</u>	<u>53,201,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(298,569)</u>	<u>2,292,076</u>	<u>2,590,645</u>	<u>3,266,673</u>
Other financing sources (uses):				
Transfers in	-	-	-	690,714
Transfers out	<u>(208,667)</u>	<u>(180,609)</u>	<u>28,058</u>	<u>(204,461)</u>
Total other financing sources (uses)	<u>(208,667)</u>	<u>(180,609)</u>	<u>28,058</u>	<u>486,253</u>
Net change in fund balances	<u>(507,236)</u>	<u>2,111,467</u>	<u>2,618,703</u>	<u>3,752,926</u>
Fund balances - beginning	<u>16,636,234</u>	<u>16,636,234</u>	<u>-</u>	<u>12,883,308</u>
Fund balances - ending	<u><u>\$ 16,128,998</u></u>	<u><u>\$ 18,747,701</u></u>	<u><u>\$ 2,618,703</u></u>	<u><u>\$ 16,636,234</u></u>

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

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 4,853,549	\$ 5,063,229	\$ 209,680	\$ 5,038,444
Earnings on investments	201,229	161,486	(39,743)	100,592
Other	296,998	296,998	-	346,006
State	-	-	-	28,707
Total revenues	<u>5,351,776</u>	<u>5,521,713</u>	<u>169,937</u>	<u>5,513,749</u>
Expenditures:				
Capital outlay:				
Purchased professional services	74,234	74,234	-	79,125
Purchased property services	3,661,270	2,522,936	1,138,334	1,896,022
Other purchased services	3,577	3,577	-	6,885
Equipment	2,377,329	2,302,511	74,818	1,847,049
Other objects	247,651	-	247,651	-
Total expenditures	<u>6,364,061</u>	<u>4,903,258</u>	<u>1,460,803</u>	<u>3,829,081</u>
Excess (deficiency) of revenues over (under) expenditures	(1,012,285)	618,455	1,630,740	1,684,668
Other financing sources (uses):				
Proceeds from sale of capital assets	-	24,242	24,242	49,087
Transfers in	-	-	-	283,695
Total other financing sources (uses)	<u>-</u>	<u>24,242</u>	<u>24,242</u>	<u>332,782</u>
Net change in fund balances	(1,012,285)	642,697	1,654,982	2,017,450
Fund balances - beginning	<u>21,020,301</u>	<u>21,020,301</u>	<u>-</u>	<u>19,002,851</u>
Fund balances - ending	<u><u>\$ 20,008,016</u></u>	<u><u>\$ 21,662,998</u></u>	<u><u>\$ 1,654,982</u></u>	<u><u>\$ 21,020,301</u></u>

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

	Food Services	Student Activities	Pass-Through Taxes	Park City Education Foundation	Total Nonmajor Governmental Funds
Assets:					
Cash and investments	\$ 341,499	\$ 687,458	\$ -	\$ 2,071,728	\$ 3,100,685
Receivables:					
Property taxes	-	-	2,042,377	-	2,042,377
Local	4,848	-	-	20,500	25,348
State	92,498	-	-	-	92,498
Federal	12,188	-	-	-	12,188
Inventories and prepaid items	26,384	461	-	19,719	46,564
Total assets	<u>\$ 477,417</u>	<u>\$ 687,919</u>	<u>\$ 2,042,377</u>	<u>\$ 2,111,947</u>	<u>\$ 5,319,660</u>
Liabilities:					
Accounts payable	\$ 4,572	\$ 942	\$ -	\$ 30,425	\$ 35,939
Unearned revenue:					
Local	75,580	-	-	-	75,580
Due to other funds	-	-	-	276,448	276,448
Total liabilities	<u>80,152</u>	<u>942</u>	<u>-</u>	<u>306,873</u>	<u>387,967</u>
Deferred inflows of resources:					
Unavailable local revenue	-	-	-	20,500	20,500
Unavailable property tax revenue	-	-	27,370	-	27,370
Property taxes levied for future year	-	-	2,015,007	-	2,015,007
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,042,377</u>	<u>20,500</u>	<u>2,062,877</u>
Fund balances:					
Nonspendable:					
Inventories and prepaid items	26,384	461	-	19,719	46,564
Restricted for:					
Nutrition services	355,174	-	-	-	355,174
Scholarships	-	-	-	198,515	198,515
Assigned to:					
Compensated absences	15,707	-	-	6,003	21,710
Students	-	686,516	-	-	686,516
Foundation	-	-	-	1,560,337	1,560,337
Total fund balances	<u>397,265</u>	<u>686,977</u>	<u>-</u>	<u>1,784,574</u>	<u>2,868,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 477,417</u>	<u>\$ 687,919</u>	<u>\$ 2,042,377</u>	<u>\$ 2,111,947</u>	<u>\$ 5,319,660</u>

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

	Food Services	Student Activities	Pass-Through Taxes	Park City Education Foundation	Total Nonmajor Governmental Funds
Revenues:					
Local:					
Property taxes	\$ -	\$ -	\$ 1,962,976	\$ -	\$ 1,962,976
Earnings on investments	1,904	-	-	115,444	117,348
Lunch sales	514,149	-	-	-	514,149
Other	64,287	1,832,166	-	1,622,504	3,518,957
State	234,710	-	-	-	234,710
Federal	700,843	-	-	-	700,843
Total revenues	<u>1,515,893</u>	<u>1,832,166</u>	<u>1,962,976</u>	<u>1,737,948</u>	<u>7,048,983</u>
Expenditures:					
Current:					
Instruction	-	1,743,113	-	1,622,532	3,365,645
Nutrition services	1,521,297	-	-	-	1,521,297
Contributions to other governments	-	-	1,962,976	-	1,962,976
Total expenditures	<u>1,521,297</u>	<u>1,743,113</u>	<u>1,962,976</u>	<u>1,622,532</u>	<u>6,849,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,404)</u>	<u>89,053</u>	<u>-</u>	<u>115,416</u>	<u>199,065</u>
Other financing sources (uses):					
Transfers in	-	-	-	180,609	180,609
Net change in fund balances	<u>(5,404)</u>	<u>89,053</u>	<u>-</u>	<u>296,025</u>	<u>379,674</u>
Fund balances - beginning	<u>402,669</u>	<u>597,924</u>	<u>-</u>	<u>1,488,549</u>	<u>2,489,142</u>
Fund balances - ending	<u>\$ 397,265</u>	<u>\$ 686,977</u>	<u>\$ -</u>	<u>\$ 1,784,574</u>	<u>\$ 2,868,816</u>

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

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Lunch sales	\$ 636,517	\$ 514,149	\$ (122,368)	\$ 557,202
Earnings on investments	4,109	1,904	(2,205)	1,653
Vending	-	64,287	64,287	85,539
State	244,881	234,710	(10,171)	234,599
Federal	656,366	700,843	44,477	682,648
Total revenues	<u>1,541,873</u>	<u>1,515,893</u>	<u>(25,980)</u>	<u>1,561,641</u>
Expenditures:				
Current:				
Salaries	551,696	542,392	9,304	551,480
Employee benefits	320,354	313,179	7,175	337,885
Purchased professional services	6,562	5,229	1,333	860
Purchased property services	16,621	10,578	6,043	12,721
Other purchased services	55,921	44,055	11,866	39,961
Supplies	567,712	603,329	(35,617)	604,702
Equipment	1,814	2,535	(721)	-
Total expenditures	<u>1,520,680</u>	<u>1,521,297</u>	<u>(617)</u>	<u>1,547,609</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	21,193	(5,404)	(26,597)	14,032
Fund balances - beginning	<u>402,669</u>	<u>402,669</u>	<u>-</u>	<u>388,637</u>
Fund balances - ending	<u>\$ 423,862</u>	<u>\$ 397,265</u>	<u>\$ (26,597)</u>	<u>\$ 402,669</u>

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

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Other	\$ 1,913,916	\$ 1,832,166	\$ (81,750)	\$ 1,790,258
Expenditures:				
Current:				
Salaries	33,454	45,817	(12,363)	46,126
Employee benefits	12,299	14,570	(2,271)	14,076
Purchased professional services	1,000	750	250	700
Other purchased services	43,889	57,720	(13,831)	57,025
Supplies	1,796,002	1,622,919	173,083	1,681,102
Equipment	-	-	-	10,645
Other objects	1,314	1,337	(23)	-
Total expenditures	1,887,958	1,743,113	144,845	1,809,674
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	25,958	89,053	63,095	(19,416)
Fund balances - beginning	597,924	597,924	-	617,340
Fund balances - ending	\$ 623,882	\$ 686,977	\$ 63,095	\$ 597,924

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

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 1,962,976	\$ 1,962,976	\$ -	\$ 1,911,673
Expenditures:				
Current:				
Contributions to other governments	1,962,976	1,962,976	-	1,911,673
Excess (deficiency) of revenues over (under) expenditures / net change in fund balance	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PARK CITY SCHOOL DISTRICT
Comparative Balance Sheets
Park City Education Foundation
Nonmajor Special Revenue Fund
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and investments	\$ 2,071,728	\$ 1,924,172
Receivables:		
Local	20,500	53,500
Prepaid items	<u>19,719</u>	<u>14,363</u>
Total assets	<u><u>\$ 2,111,947</u></u>	<u><u>\$ 1,992,035</u></u>
Liabilities:		
Accounts payable	\$ 30,425	\$ 55,194
Due to other funds	<u>276,448</u>	<u>414,792</u>
Total liabilities	306,873	469,986
Deferred inflows of resources:		
Unavailable local revenue	<u>20,500</u>	<u>33,500</u>
Fund balances:		
Nonspendable:		
Prepaid items	19,719	14,363
Restricted for:		
Scholarships	198,515	210,612
Assigned to:		
Compensated absences	6,003	1,648
Foundation	<u>1,560,337</u>	<u>1,261,926</u>
Total fund balances	<u>1,784,574</u>	<u>1,488,549</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,111,947</u></u>	<u><u>\$ 1,992,035</u></u>

PARK CITY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Park City Education Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Local:		
Earnings on investments	\$ 115,444	\$ 6,970
Other	<u>1,622,504</u>	<u>1,374,249</u>
Total revenues	<u>1,737,948</u>	<u>1,381,219</u>
Expenditures:		
Current:		
Salaries	247,427	250,671
Employee benefits	120,534	114,378
Purchased professional services	-	1,795
Other purchased services	4,904	2,675
Instructional grants and scholarships	1,061,547	1,100,641
Supplies	183,705	205,972
Equipment	<u>4,415</u>	<u>8,840</u>
Total expenditures	<u>1,622,532</u>	<u>1,684,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,416</u>	<u>(303,753)</u>
Other financing sources (uses):		
Transfers in	<u>180,609</u>	<u>204,461</u>
Net change in fund balances	296,025	(99,292)
Fund balances - beginning	<u>1,488,549</u>	<u>1,587,841</u>
Fund balances - ending	<u><u>\$ 1,784,574</u></u>	<u><u>\$ 1,488,549</u></u>

OTHER INFORMATION

PARK CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF NET POSITION (Accrual Basis)
GOVERNMENTAL ACTIVITIES
Last Five Fiscal Years

	2016	2015	2014	2013	2012
Assets:					
Cash and investments	\$ 57,794,712	\$ 51,800,487	\$ 44,549,791	\$ 43,501,360	\$ 36,599,662
Receivables:					
Property taxes	60,050,209	60,095,675	51,409,116	52,530,464	51,108,945
Other governments	780,198	950,514	1,004,634	1,605,538	1,323,597
Inventories and prepaid items	119,399	51,515	43,338	29,976	34,589
Net pension asset	1,258	17,568	-	-	-
Capital assets:					
Land and construction in progress	4,928,568	4,928,568	4,928,568	4,928,568	4,928,568
Other capital assets, net of accumulated depreciation	97,055,896	100,104,150	102,930,974	105,772,875	108,700,384
Total assets	<u>220,730,240</u>	<u>217,948,477</u>	<u>204,866,421</u>	<u>208,368,781</u>	<u>202,695,745</u>
Deferred outflows of resources:					
Related to pensions	<u>11,102,953</u>	<u>3,468,187</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:					
Accounts and contracts payable	3,446,679	1,522,940	976,370	2,217,224	377,260
Accrued interest	-	-	52,610	108,023	162,651
Accrued payroll and related benefits	5,595,832	5,646,255	5,099,547	4,876,633	5,677,433
Unearned revenue	382,168	516,993	560,120	403,357	498,890
Noncurrent liabilities:					
Portion due or payable within one year	2,722,001	2,294,396	5,889,922	5,322,017	5,431,954
Portion due or payable after one year	<u>30,544,574</u>	<u>23,785,040</u>	<u>860,467</u>	<u>4,396,573</u>	<u>8,009,280</u>
Total liabilities	<u>42,691,254</u>	<u>33,765,624</u>	<u>13,439,036</u>	<u>17,323,827</u>	<u>20,157,468</u>
Deferred inflows of resources:					
Property taxes levied for future year	59,628,969	59,653,204	50,450,558	51,512,828	49,501,784
Related to pensions	<u>2,839,926</u>	<u>2,132,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>62,468,895</u>	<u>61,786,192</u>	<u>50,450,558</u>	<u>51,512,828</u>	<u>49,501,784</u>
Net position:					
Net investment in capital assets	101,984,464	105,032,718	104,061,285	103,242,602	102,639,527
Restricted for:					
Debt service	-	-	717,842	1,352,173	790,507
Capital projects	21,729,757	21,097,567	19,108,308	19,110,542	16,956,411
Community recreation	-	-	-	-	289,197
Nutrition services	381,558	389,194	376,243	426,710	493,006
Foundation	219,015	244,112	326,150	428,348	355,054
Other purposes	-	-	-	-	517,574
Unrestricted	<u>2,358,250</u>	<u>(898,743)</u>	<u>16,386,999</u>	<u>14,971,751</u>	<u>10,995,217</u>
Total net position	<u>\$ 126,673,044</u>	<u>\$ 125,864,848</u>	<u>\$ 140,976,827</u>	<u>\$ 139,532,126</u>	<u>\$ 133,036,493</u>

The District implemented GASB Statements 68 and 71 in 2015, recording its proportional share of net pension liabilities.

Source: District records.

PARK CITY SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES (Accrual Basis)
GOVERNMENTAL ACTIVITIES

Last Five Fiscal Years

	2016	2015	2014	2013	2012
Expenses:					
Instruction	\$ 42,253,598	\$ 38,509,648	\$ 38,782,594	\$ 34,489,088	\$ 37,644,166
Supporting services:					
Student	2,474,259	2,288,158	2,171,571	2,189,097	2,321,538
Instructional staff	3,086,850	2,977,874	2,576,542	2,407,475	2,300,394
General administration	574,325	560,323	598,584	488,807	684,241
School administration	2,947,831	2,892,912	2,711,820	2,474,246	2,700,473
Central	2,992,336	2,848,976	2,899,939	2,907,399	2,687,167
Operation and maintenance of facilities	5,136,891	4,677,419	4,871,006	4,631,376	4,794,312
Student transportation	2,502,914	2,609,541	2,507,650	2,503,474	2,640,747
Nutrition services	1,655,328	1,635,069	1,625,002	1,670,407	1,810,278
Community services	1,793,806	3,535,186	2,692,544	2,589,212	2,619,177
Contributions to other governments	6,411,576	2,029,197	2,360,204	4,990,449	4,299,764
Interest on long-term liabilities	-	71,972	200,018	325,680	556,659
Total school district	71,829,714	64,636,275	63,997,474	61,666,710	65,058,916
Program revenues:					
Instruction	6,218,189	6,772,395	4,736,082	4,211,648	4,259,650
Supporting services:					
Student	301,090	197,246	249,292	175,390	239,294
Instructional staff	128,972	188,872	165,235	117,485	254,856
Central	-	-	-	149,671	-
School administration	-	3,398	13,709	601	-
Operation and maintenance of facilities	9,500	7,427	367	-	1,282
Student transportation	889,784	806,603	791,199	845,617	789,586
Nutrition services	1,512,989	1,558,752	1,452,116	1,451,357	1,547,631
Community services	507,983	647,060	1,292,209	1,200,126	1,136,771
Total program revenues	9,568,507	10,181,753	8,700,209	8,151,895	8,229,070
Net (expense) revenue	(62,261,207)	(54,454,522)	(55,297,265)	(53,514,815)	(56,829,846)
General revenues:					
Property taxes levied for:					
General purposes	52,981,595	49,426,090	46,053,060	48,297,164	37,760,146
Transportation	-	-	-	-	1,653,565
Reading	-	-	-	-	724,110
Community recreation	-	-	-	-	1,048,339
Debt service	-	3,478,349	3,207,123	4,174,907	4,409,508
Capital outlay	4,990,172	4,989,147	4,838,621	4,694,121	6,311,649
Tax increment financing	1,962,976	1,911,673	-	-	-
Total property tax revenue	59,934,743	59,805,259	54,098,804	57,166,192	51,907,317
Federal and state aid not restricted to specific purposes	1,815,407	1,808,325	1,536,257	1,672,203	2,521,669
Earnings on investments	499,706	232,938	208,189	247,822	270,391
Miscellaneous	819,547	764,993	898,716	924,231	1,047,484
Total general revenues	63,069,403	62,611,515	56,741,966	60,010,448	55,746,861
Change in net position	808,196	8,156,993	1,444,701	6,495,633	(1,082,985)
Net position - beginning	125,864,848	117,707,855	139,532,126	133,036,493	134,119,478
Net position - ending	<u>\$ 126,673,044</u>	<u>125,864,848</u>	<u>140,976,827</u>	<u>139,532,126</u>	<u>\$ 133,036,493</u>

The District implemented GASB Statements 68 and 71 in 2015, restating and decreasing beginning net position by \$23,268,972 for 2015.

Source: District records.

PARK CITY SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEETS (Modified Accrual Basis)
Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:					
Cash and investments	\$ 25,482,817	\$ 22,338,184	\$ 17,918,789	\$ 17,851,022	\$ 15,192,487
Receivables:					
Property taxes	53,059,297	53,053,859	43,615,863	44,467,764	42,389,842
Local	65,865	142,298	53,962	7,268	105,345
State	43,635	207,750	188,234	142,697	45,608
Federal	540,664	454,137	457,594	424,747	868,232
Prepaid items	72,835	8,956	11,789	-	-
Due from other funds	276,448	414,792	126,186	-	-
Total assets	<u>\$ 79,541,561</u>	<u>\$ 76,619,976</u>	<u>\$ 62,372,417</u>	<u>\$ 62,893,498</u>	<u>\$ 58,601,514</u>
Liabilities:					
Accounts and contracts payable	\$ 1,476,609	\$ 376,540	\$ 252,972	\$ 334,526	\$ 195,390
Accrued payroll and related benefits	5,595,832	5,646,255	5,099,547	4,876,633	5,677,433
Unearned revenue:					
Local	100,075	242,532	-	-	-
State	206,513	204,306	331,098	245,550	403,063
Total liabilities	<u>7,379,029</u>	<u>6,469,633</u>	<u>5,683,617</u>	<u>5,456,709</u>	<u>6,275,886</u>
Deferred inflows of resources:					
Unavailable property tax revenue	715,803	820,345	1,001,842	943,877	1,679,625
Property taxes levied for future year	52,699,028	52,693,764	42,803,650	43,613,097	40,784,071
Total deferred inflows of resources	<u>53,414,831</u>	<u>53,514,109</u>	<u>43,805,492</u>	<u>44,556,974</u>	<u>42,463,696</u>
Fund balances:					
Nonspendable:					
Prepaid items	72,835	8,956	11,789	-	-
Restricted for specific tax levies	-	-	-	-	517,574
Committed to:					
Economic stabilization	3,156,478	2,729,314	2,375,000	2,180,000	2,250,000
Self insurance	-	-	1,000,000	1,000,000	660,000
Voluntary retirement incentive	-	-	-	-	41,273
Community services	-	503,940	-	-	-
Assigned to:					
Compensated absences	975,235	912,158	890,396	811,674	733,919
Basic levy recapture	350,000	-	50,000	300,000	360,000
Unassigned	14,193,153	12,481,866	8,556,123	8,588,141	5,299,166
Total fund balances	<u>18,747,701</u>	<u>16,636,234</u>	<u>12,883,308</u>	<u>12,879,815</u>	<u>9,861,932</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 79,541,561</u>	<u>\$ 76,619,976</u>	<u>\$ 62,372,417</u>	<u>\$ 62,893,498</u>	<u>\$ 58,601,514</u>
Unassigned fund balance as a percent of general fund expenditures	24.1%	21.2%	16.1%	18.3%	11.2%

Source: District records.

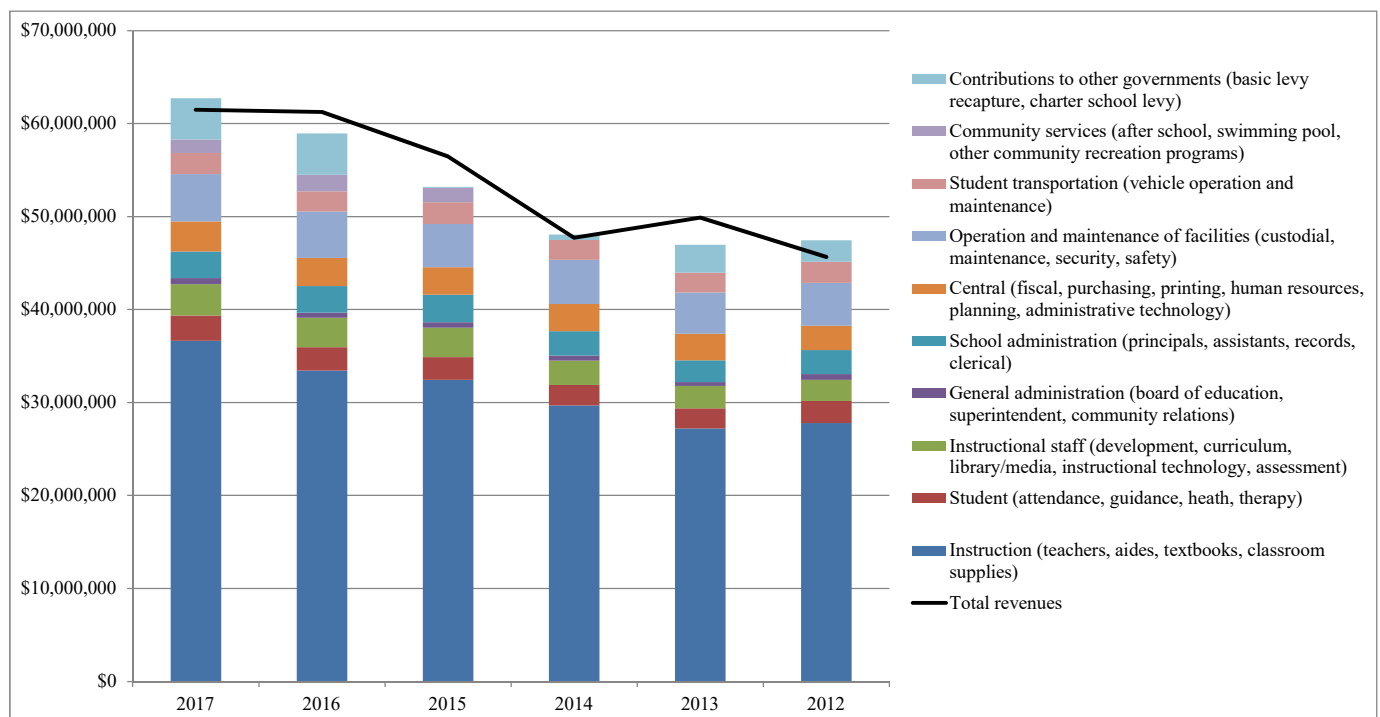
PARK CITY SCHOOL DISTRICT

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Modified Accrual Basis)

Last Five Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget 2017	2016	2015	2014	2013	2012
Revenues:						
Local:						
Property taxes	\$ 53,689,688	\$ 53,026,849	\$ 47,571,866	\$ 42,803,490	\$ 44,930,279	\$ 40,420,382
Earnings on investments	159,811	220,872	120,776	94,699	112,655	96,817
Other	2,730,303	2,960,715	2,870,883	679,980	449,468	776,720
State	3,755,888	3,892,264	4,728,014	3,047,465	3,262,680	2,560,812
Federal	1,137,645	1,139,370	1,176,615	1,082,791	1,130,510	1,801,120
Total revenues	61,473,335	61,240,070	56,468,154	47,708,425	49,885,592	45,655,851
Expenditures:						
Current:						
Instruction	36,624,271	33,433,848	32,434,731	29,663,497	27,185,196	27,792,183
Supporting services:						
Student	2,722,503	2,524,099	2,447,605	2,227,615	2,183,812	2,353,201
Instructional staff	3,371,428	3,141,797	3,162,792	2,612,964	2,407,475	2,300,394
General administration	666,498	558,830	573,866	554,730	425,628	621,548
School administration	2,864,960	2,865,742	2,958,425	2,620,934	2,334,526	2,560,877
Central	3,219,567	3,012,737	2,969,018	2,912,681	2,864,673	2,639,102
Operation and maintenance of facilities	5,093,022	4,992,209	4,644,256	4,733,932	4,441,012	4,608,301
Student transportation	2,259,976	2,184,942	2,354,087	2,160,530	2,133,773	2,260,549
Community services	1,448,420	1,785,190	1,539,177	-	-	-
Contributions to other governments	4,460,238	4,448,600	117,524	573,421	2,982,161	2,296,932
Total expenditures	62,730,883	58,947,994	53,201,481	48,060,304	46,958,256	47,433,087
Excess (deficiency) of revenues over (under) expenditures	(1,257,548)	2,292,076	3,266,673	(351,879)	2,927,336	(1,777,236)
Other financing sources (uses):						
Net transfers and other financing sources (uses)	(398,667)	(180,609)	486,253	355,372	90,547	1,398,008
Net change in fund balances	(1,656,215)	2,111,467	3,752,926	3,493	3,017,883	(379,228)
Fund Balances - Beginning	16,129,038	16,636,234	12,883,308	12,879,815	9,861,932	10,241,160
Fund Balances - Ending	\$ 14,472,823	\$ 18,747,701	\$ 16,636,234	\$ 12,883,308	\$ 12,879,815	\$ 9,861,932



Notes:

The 2017 anticipated budget is from the proposed budget approved by the Board in June 2016.

In 2015, the District began reporting community services in the *general fund*.

PARK CITY SCHOOL DISTRICT
GENERAL FUND EXPENDITURES PER STUDENT *
 Last Five Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget 2017	2016	2015	2014	2013	2012
General fund expenditures per student:						
Instruction	\$ 7,488	\$ 7,019	\$ 6,844	\$ 6,407	\$ 6,149	\$ 6,316
Supporting services:						
Student	557	530	516	481	494	535
Instructional staff	689	660	667	564	545	523
General administration	136	117	121	120	96	141
School administration	586	602	624	566	528	582
Central	658	633	627	629	648	600
Operation and maintenance of facilities	1,041	1,048	980	1,022	1,005	1,047
Student transportation	462	459	497	467	483	514
Total <i>general fund</i> expenditures per student *	<u>\$ 11,617</u>	<u>\$ 11,068</u>	<u>\$ 10,876</u>	<u>\$ 10,256</u>	<u>\$ 9,948</u>	<u>\$ 10,258</u>
Student fall enrollment count	4,891	4,763	4,739	4,630	4,421	4,400

* In this schedule, community service expenditures and contributions to other governments have been excluded.

Source: District records.

PARK CITY SCHOOL DISTRICT
HISTORICAL SUMMARIES OF TAXABLE VALUES OF PROPERTY

Last Five Tax (Calendar) Years

	<u>2015</u>		<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by County Assessor-Locally Assessed						
Real property:						
Primary residential	\$ 3,443,252,037	26.3 %	\$ 3,122,215,248	\$ 2,892,826,137	\$ 2,862,336,394	\$ 2,925,858,747
Other residential	7,220,873,340	55.2	6,612,872,484	6,218,201,425	6,086,020,786	6,052,611,082
Commercial and industrial	1,177,768,827	9.0	1,160,545,704	1,158,599,259	1,212,881,295	1,270,082,541
Agricultural and Farmland Assessment Act (FAA)	13,323,553	0.1	12,685,696	12,307,890	12,360,621	119,789,969
Unimproved non FAA	863,535,095	6.6	814,990,352	839,175,932	869,098,098	825,110,164
Total real property	12,718,752,852	97.2	11,723,309,484	11,121,110,643	11,042,697,194	11,193,452,503
Personal property	172,475,032	1.3	176,634,304	178,557,487	188,634,918	184,812,750
Fee in lieu (motor vehicles, etc.)	98,037,941	0.7	85,903,740	92,668,286	82,629,219	80,700,653
Total locally assessed	12,989,265,825	99.3	11,985,847,528	11,392,336,416	11,313,961,331	11,458,965,906
Set by State Tax Commission-Centrally Assessed	93,958,032	0.7	84,577,628	81,580,677	76,804,399	77,840,584
Total taxable value	<u>\$ 13,083,223,857</u>	<u>100.0 %</u>	<u>\$ 12,070,425,156</u>	<u>\$ 11,473,917,093</u>	<u>\$ 11,390,765,730</u>	<u>\$ 11,536,806,490</u>
Total taxable value (less fee in lieu property)	<u>\$ 12,985,185,916</u>		<u>\$ 11,984,521,416</u>	<u>\$ 11,381,248,807</u>	<u>\$ 11,308,136,511</u>	<u>\$ 11,456,105,837</u>
Amounts include increases in taxable values within tax increment financing (TIF) districts located within the taxing area of Park City School District as follows:						
Redevelopment taxable value	<u>\$ 447,518,145</u>		<u>\$ 421,036,793</u>	<u>\$ 399,872,577</u>	<u>\$ 411,050,480</u>	<u>\$ 455,192,633</u>

Source: District records.

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

Last Four Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget 2017		2016		2015		2014		2013	
	Tax Rate	Budget	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections	Tax Rate	Collections
General Fund:										
Basic	0.001675	\$ 23,297,986	0.001736	\$ 22,528,332	0.001419	\$ 16,751,252	0.001535	\$ 17,321,174	0.001651	\$ 18,660,050
Board local	0.000945	13,144,237	0.001018	13,210,738	0.001120	13,221,566	0.000872	8,512,640	0.000894	8,750,945
Voted local	0.001240	17,247,465	0.001323	17,168,769	0.001449	17,105,401	0.001503	16,960,081	0.001542	17,428,103
Judgment recovery	-	-	-	-	0.000069	814,543	-	-	-	-
Total general fund	0.003860	53,689,688	0.004077	52,907,839	0.004057	47,892,762	0.003910	42,793,895	0.004087	44,839,098
Non K-12 Programs Fund:										
Board local	-	-	-	-	-	-	-	1,327,141	-	1,353,286
Pass-Through Taxes Fund:										
Incremental taxes	-	1,962,976	-	1,962,976	-	1,911,673	-	1,786,783	-	2,008,288
Debt Service Fund:										
Debt service	-	-	-	-	0.000293	3,458,856	0.000287	3,233,818	0.000394	4,453,095
Capital Projects Fund:										
Capital local	0.000360	5,007,329	0.000384	4,983,226	0.000420	4,958,088	0.000433	4,886,038	0.000443	5,006,906
Total tax rate / collections	0.004220	60,659,993	0.004461	59,854,041	0.004770	58,221,379	0.004630	54,027,675	0.004924	57,660,673
Contributions to Other Governments:										
Incremental taxes		1,962,976		1,962,976		1,911,673		1,786,783		2,008,288
Basic levy recapture		3,771,638		3,836,331		-		446,381		2,867,758
Charter school levy		688,600		612,269		117,524		127,040		114,403
Total contributed		6,423,214		6,411,576		2,029,197		2,360,204		4,990,449
Net taxes retained by the District		\$ 54,236,779		\$ 53,442,465		\$ 56,192,182		\$ 51,667,471		\$ 52,670,224

Notes:

Tax rates are levied for the calendar year. For example, calendar year 2016 tax rates apply to the District's fiscal year ended June 30, 2017.

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 2017 budget reflects the rates and anticipated collections as approved by the Board in June 2016.

The District has committed to allocate a portion of the board local levy to community recreation programs; community recreation programs are recorded in the *general fund* beginning in 2015.