

PARK CITY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2015

PARK CITY SCHOOL DISTRICT

Table of Contents

Year Ended June 30, 2015

Page

FINANCIAL SECTION:

Independent Auditor's Report 1

Management's Discussion and Analysis 4

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 12

Statement of Activities 13

Fund Financial Statements:

Balance Sheet - Governmental Funds 14

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 15

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 16

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities 17

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
General Fund 18

Statement of Fund Net Position - Proprietary Fund 19

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund 20

Statement of Fund Cash Flows - Proprietary Fund 21

Notes to the Basic Financial Statements 22

Required Supplementary Information:

Schedules of the District's Proportionate Share of Net Pension Liability (Asset) - Utah Retirement Systems 40

Schedules of District Contributions - Utah Retirement Systems 41

Combining and Individual Fund Statements and Schedules:

Major Funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
General Fund 42

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
Debt Service Fund 43

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -
Capital Projects Fund 44

PARK CITY SCHOOL DISTRICT

Table of Contents

Year Ended June 30, 2015

Page

Nonmajor Special Revenue Funds:

Combining Balance Sheet - Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Non K-12 Programs Fund</i>	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Food Services Fund</i>	48
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Student Activities Fund</i>	49
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Incremental Tax Financing Fund</i>	50
Comparative Balance Sheets - <i>Park City Education Foundation</i>	51
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances - <i>Park City Education Foundation</i>	52

OTHER INFORMATION:

Comparative Statements of Net Position - Governmental Activities - 2015 through 2011	53
Comparative Statements of Activities - Governmental Activities - 2015 through 2011	54
General Fund - Comparative Balance Sheets - 2015 through 2011	55
<i>General Fund</i> - Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances - 2015 through 2011 with Anticipated Budget for 2016	56
<i>General Fund</i> Expenditures Per Student - 2015 through 2011 with Anticipated Budget for 2016	57
Historical Summaries of Taxable Values of Property - Calendar Years Ended 2014 through 2010	58
Tax Rates and Collections - 2015 through 2012 with Anticipated Budget for 2016	59

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, 2015, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Orem, Utah
November 10, 2015

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, 2015.

Financial Highlights

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 11.6% in 2015 to \$57.8 million as a result of a combination of an increase in the taxable value of property, an increase in the overall tax rate, and recording incremental taxes for the first time.
- The District's total net position was \$125.9 million at the close of the most recent fiscal year, most of which is invested in capital assets.
- During the year, expenses were \$8.2 million less than the \$70.7 million generated in taxes and other revenues for governmental activities.
- District student enrollment increased by 109 students to a total of 4,739 students as of October 1, 2014 for the 2014-2015 school year.
- The District implemented new accounting and reporting standards for pensions resulting in a restatement of net position in the government-wide financial statements. The District now recognizes a liability for its proportionate share of unfunded obligations of defined benefit pension plans administered by Utah Retirement Systems.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains 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, community services, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

The government-wide financial statements include not only the District itself but also the 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 12 and 13 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 seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other 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 14 through 18 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 19 through 21 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 22 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 42 through 52 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 53 through 59 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 \$125.9 million at the close of the most recent fiscal year.

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

	Governmental activities		Total
	2015	2014	change
			2015-2014
Current and other assets	\$ 113.0	\$ 97.1	\$ 15.9
Capital assets	105.0	107.9	(2.9)
Total assets	<u>218.0</u>	<u>205.0</u>	<u>13.0</u>
Deferred outflows of resources	<u>3.5</u>	<u>2.8</u>	<u>0.7</u>
Current and other liabilities	7.7	6.7	1.0
Long-term liabilities outstanding	26.1	32.9	(6.8)
Total liabilities	<u>33.8</u>	<u>39.6</u>	<u>(5.8)</u>
Deferred inflows of resources	<u>61.8</u>	<u>50.5</u>	<u>11.3</u>
Net position:			
Net investment in capital assets	105.0	104.1	0.9
Restricted	21.8	20.5	1.3
Unrestricted	<u>(0.9)</u>	<u>(6.9)</u>	<u>6.0</u>
Total net position	<u>\$ 125.9</u>	<u>\$ 117.7</u>	<u>\$ 8.2</u>

- The largest portion of the District’s net position (\$105.0 million or 83.4%) 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 (\$21.8 million or 17.3%) 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 (a deficit of \$0.9 million) is unrestricted. This balance includes the District’s proportionate share of the unfunded obligation of the defined benefit pension plans administered by URS. The existence of an unrestricted net position deficit indicates the District’s overall economic net position, but it does not necessarily reflect positively or negatively on the District’s ability to meet its obligations as they come due.

- Unrestricted net position increased by \$6.0 million during the year ended June 30, 2015. This net increase resulted primarily from an increase in property tax revenue (which includes incremental taxes of \$1.9 million), a decrease in pension expense, and an increase in community service expense (primarily from recording incremental taxes levied by the District and forwarded directly to a redevelopment agency within the District for the purposes of financing urban renewal, economic development, and community development projects; these expenses related to incremental taxes were reported for the first time in 2015).
- Restricted net position increased by \$1.3 million during the year ended June 30, 2015. This increase resulted primarily from an increase in unspent property tax revenue restricted for capital outlay.

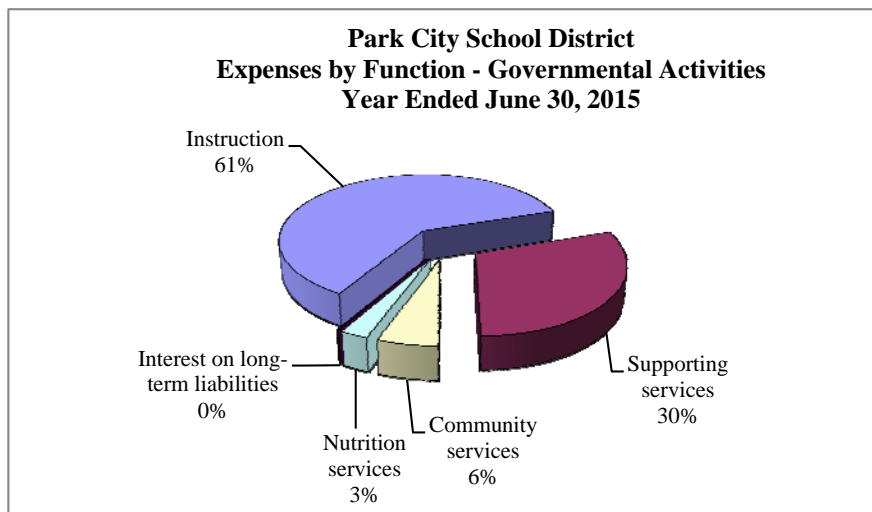
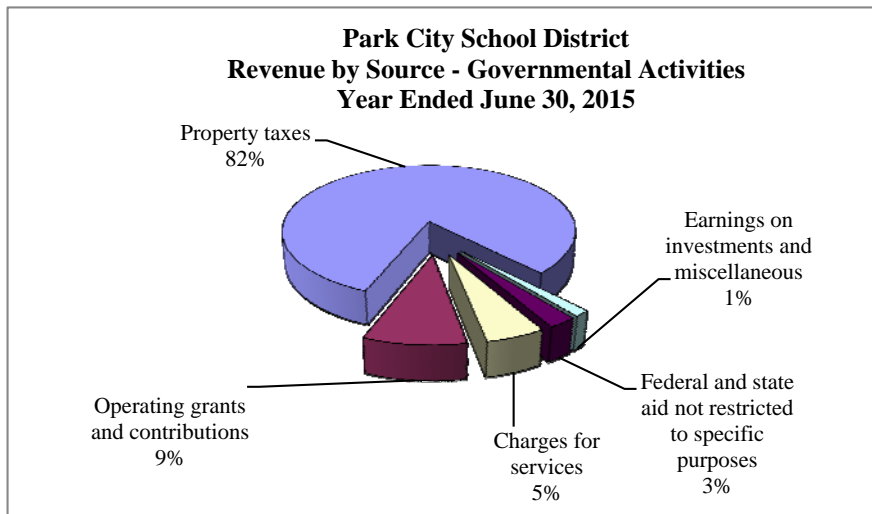
The District's total net position increased by \$8.2 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

PARK CITY SCHOOL DISTRICT'S Changes in Net Position
Years Ended June 30, 2015 and 2014
(in millions of dollars)

	Governmental activities		Total change
	2015	2014	2015-2014
Revenues:			
Program revenues:			
Charges for services	\$ 3.7	\$ 3.6	\$ 0.1
Operating grants and contributions	6.4	5.1	1.3
General revenues:			
Property taxes	57.8	51.8	6.0
Federal and state aid not restricted to specific purposes	1.8	1.5	0.3
Earnings on investments	0.2	0.2	-
Miscellaneous	0.8	0.9	(0.1)
Total revenues	70.7	63.1	7.6
Expenses:			
Instruction	38.4	38.7	(0.3)
Supporting services:			
Students	2.3	2.2	0.1
Instructional staff	3.0	2.6	0.4
General administration	0.6	0.6	-
School administration	2.9	2.7	0.2
Central	2.8	2.9	(0.1)
Operation and maintenance of facilities	4.7	4.9	(0.2)
Student transportation	2.6	2.5	0.1
Nutrition services	1.6	1.6	-
Community services	3.5	2.7	0.8
Interest on long-term liabilities	0.1	0.2	(0.1)
Total expenses	62.5	61.6	0.9
Change in net position	8.2	1.5	6.7
Net position - beginning	117.7	139.5	(21.8)
Net effect of prior period restatement	-	(23.3)	23.3
Net position - ending	\$ 125.9	\$ 117.7	\$ 8.2

- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 11.6% in 2015 to \$57.8 million as a result of a combination of an increase in the taxable value of property, an increase in the overall tax rate, and recording incremental taxes for the first time.
- 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 2.5% during the year ended June 30, 2015 (\$2,972 during 2015 as compared to \$2,899 in 2014). 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 \$1.5 million compared to the prior year.



Other state appropriations – Overall revenue from other state appropriations totaled \$3.5 million in 2015, 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 \$1.9 million in 2015, about the same amount as what was received in the prior year.
- The District's total expenses increased by \$0.9 million to a total of \$62.5 million during 2015 as compared to the prior year. This increase is primarily from recording incremental taxes levied by the District and forwarded directly to a redevelopment agency within the District for the purposes of financing urban renewal, economic development, and community development projects; these expenses were reported for the first time in 2015.

Financial Analysis of the District's Funds

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

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$40.1 million, \$4.3 million greater than the previous year. Included in this year's change in the combined fund balance is a decrease in the fund balance of the *debt service fund* of \$0.7 million and an increase in the fund balance of the *capital projects fund* of \$2.0 million; this year's change also includes a decrease in the fund balance of the other governmental funds of \$0.8 million. This net increase resulted primarily from an increase in property tax revenues and an increase in instruction and community service expenditures and a decrease in capital outlay expenditures. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$53.2 million, an increase of 12.0% during the current fiscal year. This compares to an 8.0% increase in 2014. Instruction represents 61.0% of *general fund* expenditures.
- *General fund* salaries totaled \$30.4 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 88.2% of total *general fund* expenditures.
- Beginning in 2015, community services are recorded in the *general fund*; in prior years, those services were recorded in the *non k-12 programs fund*. The *non k-12 programs fund* was closed on July 1, 2014.

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, 2015, the District's combined governmental fund balance is \$40.1 million (\$21.6 million in restricted, \$3.2 million in committed, \$2.8 million in assigned, and \$12.5 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of

\$1.4 million or 2.6% 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 \$1.4 million less than final budgeted amounts. Actual revenues were \$1.6 million more than final budgeted amounts primarily due to positive variances in revenue from property taxes, other local, and state sources. Property tax collection rates and the state guarantee on WPU programs exceeded expectations.

Capital Asset and Debt Administration

Capital assets – The District’s investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$105.0 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 \$2.9 million or 2.5%, primarily for depreciation expense.

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

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

	Governmental activities		Total
	2015	2014	change
	2015	2014	2015-2014
Land	\$ 4.9	\$ 4.9	\$ -
Buildings and improvements	97.4	100.2	(2.8)
Equipment and buses	2.7	2.8	(0.1)
Total capital assets	<u>\$ 105.0</u>	<u>\$ 107.9</u>	<u>\$ (2.9)</u>

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

Debt administration – In 2015, the District made the final payment on its bonded debt. Payment of the debt was backed by the full faith and credit of the taxpayers within the District as well as the State of Utah under provisions of The Guaranty Act. The District’s total debt decreased by \$3.8 million during the current year.

PARK CITY SCHOOL DISTRICT'S Outstanding Debt
June 30, 2015 and 2014
 (in millions of dollars)

	Governmental activities		Total
	2015	2014	change
	2015	2014	2015-2014
Net general obligation bonds	<u>\$ -</u>	<u>\$ 3.8</u>	<u>\$ (3.8)</u>

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The District’s legal debt limit (and legal debt margin) at June 30, 2015 is about \$585 million.

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

Enrollment

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

PARK CITY SCHOOL DISTRICT'S Enrollment October 1 Count

<u>School Year</u>	<u>Enrollment</u>	<u>Change</u>
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%
2006-07	4,336	-0.7%

Enrollment for the 2014-2015 school year increased by 109 students to a total of 4,739 students. A public charter school opened within the District's boundaries in the 2010-11 school year; the charter school enrolled 597 students in the 2014-2015 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, 2015

	Governmental Activities
Assets:	
Cash and investments	\$ 51,800,487
Receivables:	
Property taxes	60,095,675
Other local	204,776
State	273,786
Federal	471,952
Inventories and prepaid items	51,515
Net pension asset	17,568
Capital assets:	
Land	4,928,568
Other capital assets, net of accumulated depreciation	100,104,150
Total assets	217,948,477
 Deferred outflows of resources:	
Related to pensions	3,468,187
 Liabilities:	
Accounts and contracts payable	1,522,940
Accrued payroll and related benefits	5,646,255
Unearned revenue:	
Local	312,687
State	204,306
Long-term liabilities:	
Portion due or payable within one year	2,294,396
Portion due or payable after one year	23,785,040
Total liabilities	33,765,624
 Deferred inflows of resources:	
Property taxes levied for future year	59,653,204
Related to pensions	2,132,988
Total deferred inflows of resources	61,786,192
 Net position:	
Net investment in capital assets	105,032,718
Restricted for:	
Capital outlay	21,097,567
Nutrition services	389,194
Foundation	244,112
Unrestricted	(898,743)
Total net position	\$ 125,864,848

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

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

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	\$ 38,509,648	\$ 2,501,921	\$ 4,270,474	\$ (31,737,253)
Supporting services:				
Student	2,288,158	-	197,246	(2,090,912)
Instructional staff	2,977,874	-	188,872	(2,789,002)
General administration	560,323	-	-	(560,323)
School administration	2,892,912	-	3,398	(2,889,514)
Central	2,848,976	-	-	(2,848,976)
Operation and maintenance of facilities	4,677,419	-	7,427	(4,669,992)
Student transportation	2,609,541	5,564	801,039	(1,802,938)
Nutrition services	1,635,069	642,505	916,247	(76,317)
Community services	3,535,186	583,866	63,194	(2,888,126)
Interest on long-term liabilities	71,972	-	-	(71,972)
Total school district	<u>\$ 62,607,078</u>	<u>\$ 3,733,856</u>	<u>\$ 6,447,897</u>	<u>(52,425,325)</u>
General revenues:				
Property taxes levied for:				
Basic				16,864,720
Board local				13,316,103
Voted local				17,216,070
Debt service				3,478,349
Capital local				4,989,147
Tax increment financing				<u>1,911,673</u>
Total property tax revenue				57,776,062
Federal and state aid not restricted to specific purposes				1,808,325
Earnings on investments				232,938
Miscellaneous				<u>764,993</u>
Total general revenues				<u>60,582,318</u>
Change in net position				8,156,993
Net position - beginning, as restated				<u>117,707,855</u>
Net position - ending				<u>\$ 125,864,848</u>

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

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Assets:					
Cash and investments	\$ 22,338,184	\$ -	\$ 22,128,651	\$ 2,882,273	\$ 47,349,108
Receivables:					
Property taxes	53,053,859	-	5,014,806	2,027,010	60,095,675
Other local	142,298	-	-	62,478	204,776
State	207,750	-	-	66,036	273,786
Federal	454,137	-	-	17,815	471,952
Inventories and prepaid items	8,956	-	-	42,559	51,515
Due from other funds	414,792	-	-	-	414,792
Total assets	<u>\$ 76,619,976</u>	<u>\$ -</u>	<u>\$ 27,143,457</u>	<u>\$ 5,098,171</u>	<u>\$ 108,861,604</u>
Liabilities:					
Accounts and contracts payable	\$ 376,540	\$ -	\$ 1,082,828	\$ 63,572	\$ 1,522,940
Accrued payroll and related benefits	5,646,255	-	-	-	5,646,255
Unearned revenue:					
Local	242,532	-	-	70,155	312,687
State	204,306	-	-	-	204,306
Due to other funds	-	-	-	414,792	414,792
Total liabilities	<u>6,469,633</u>	<u>-</u>	<u>1,082,828</u>	<u>548,519</u>	<u>8,100,980</u>
Deferred inflows of resources:					
Unavailable local revenue	-	-	-	33,500	33,500
Unavailable property tax revenue	820,345	-	77,266	30,632	928,243
Property taxes levied for future year	52,693,764	-	4,963,062	1,996,378	59,653,204
Total deferred inflows of resources	<u>53,514,109</u>	<u>-</u>	<u>5,040,328</u>	<u>2,060,510</u>	<u>60,614,947</u>
Fund balances:					
Nonspendable:					
Inventories and prepaid items	8,956	-	-	42,559	51,515
Restricted for:					
Capital outlay	-	-	21,020,301	-	21,020,301
Nutrition services	-	-	-	361,249	361,249
Scholarships	-	-	-	210,612	210,612
Committed to:					
Economic stabilization	2,729,314	-	-	-	2,729,314
Community services	503,940	-	-	-	503,940
Assigned to:					
Compensated absences	912,158	-	-	15,123	927,281
Students	-	-	-	597,673	597,673
Foundation	-	-	-	1,261,926	1,261,926
Unassigned	12,481,866	-	-	-	12,481,866
Total fund balances	<u>16,636,234</u>	<u>-</u>	<u>21,020,301</u>	<u>2,489,142</u>	<u>40,145,677</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 76,619,976</u>	<u>\$ -</u>	<u>\$ 27,143,457</u>	<u>\$ 5,098,171</u>	<u>\$ 108,861,604</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, 2015

Total fund balances for governmental funds \$ 40,145,677

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 \$45,356,216 accumulated depreciation	97,453,779	
Equipment and buses, net of \$5,478,418 accumulated depreciation	2,650,371	105,032,718

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	928,243	
Unavailable local revenue	33,500	961,743

The net pension asset is not an available resource and therefore is not reported in the governmental funds. 17,568

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

Net pension liability	(22,679,599)	
Deferred outflows of resources related to pensions	3,468,187	
Deferred inflows of resources related to pensions	(2,132,988)	
Unpaid vacation	(195,219)	
Accrued sick leave	(732,062)	(22,271,681)

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:

		1,978,823
Total net position of governmental activities		\$ 125,864,848

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, 2015

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
Revenues:					
Local:					
Property taxes	\$ 47,571,866	\$ 3,506,658	\$ 5,038,444	\$ 1,911,673	\$ 58,028,641
Earnings on investments	120,776	2,947	100,592	8,623	232,938
Other local	2,870,883	-	346,006	3,807,248	7,024,137
State	4,728,014	-	28,707	234,599	4,991,320
Federal	1,176,615	-	-	682,648	1,859,263
Total revenues	<u>56,468,154</u>	<u>3,509,605</u>	<u>5,513,749</u>	<u>6,644,791</u>	<u>72,136,299</u>
Expenditures:					
Current:					
Instruction	32,434,497	-	-	3,494,646	35,929,143
Supporting services:					
Student	2,447,839	-	-	-	2,447,839
Instructional staff	3,162,792	-	-	-	3,162,792
General administration	573,866	-	-	-	573,866
School administration	2,958,425	-	-	-	2,958,425
Central	2,969,018	-	-	-	2,969,018
Operation and maintenance of facilities	4,644,256	-	-	-	4,644,256
Student transportation	2,354,087	-	-	-	2,354,087
Community services	1,656,701	-	-	1,911,673	3,568,374
Nutrition services	-	-	-	1,547,609	1,547,609
Capital outlay	-	-	3,829,081	-	3,829,081
Debt service:					
Principal retirement	-	3,795,000	-	-	3,795,000
Interest and fiscal charges	-	127,839	-	-	127,839
Total expenditures	<u>53,201,481</u>	<u>3,922,839</u>	<u>3,829,081</u>	<u>6,953,928</u>	<u>67,907,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,266,673</u>	<u>(413,234)</u>	<u>1,684,668</u>	<u>(309,137)</u>	<u>4,228,970</u>
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	49,087	-	49,087
Transfers in	690,714	-	283,695	204,461	1,178,870
Transfers out	(204,461)	(283,695)	-	(690,714)	(1,178,870)
Total other financing sources (uses)	<u>486,253</u>	<u>(283,695)</u>	<u>332,782</u>	<u>(486,253)</u>	<u>49,087</u>
Net change in fund balances	3,752,926	(696,929)	2,017,450	(795,390)	4,278,057
Fund balances - beginning	<u>12,883,308</u>	<u>696,929</u>	<u>19,002,851</u>	<u>3,284,532</u>	<u>35,867,620</u>
Fund balances - ending	<u>\$ 16,636,234</u>	<u>\$ -</u>	<u>\$ 21,020,301</u>	<u>\$ 2,489,142</u>	<u>\$ 40,145,677</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, 2015

Net change in fund balances-total governmental funds \$ 4,278,057

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	\$ 679,120	
Proceeds from sales of capital assets	(49,087)	
Gain on sale of capital assets	18,492	
Depreciation expense	<u>(3,475,349)</u>	(2,826,824)

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of bonds consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal repayment of general obligation bonds	3,795,000	
Amortization of bond premium	3,257	
Interest expense	<u>52,610</u>	3,850,867

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	(252,579)	
Local revenue	<u>(37,500)</u>	(290,079)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension expense	1,942,140	
Accrued sick leave	16,712	
Unpaid vacation	<u>(2,116)</u>	1,956,736

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. 1,188,236

Change in net position of governmental activities \$ 8,156,993

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local:				
Property taxes	\$ 44,937,522	\$ 47,073,337	\$ 47,571,866	\$ 498,529
Earnings on investments	79,717	82,277	120,776	38,499
Other local revenue	1,755,091	2,492,306	2,870,883	378,577
State	5,490,215	4,015,038	4,728,014	712,976
Federal	1,179,647	1,169,907	1,176,615	6,708
Total revenues	<u>53,442,192</u>	<u>54,832,865</u>	<u>56,468,154</u>	<u>1,635,289</u>
Expenditures:				
Current:				
Instruction	33,833,561	33,410,451	32,434,497	975,954
Supporting services:				
Student	2,523,582	2,535,446	2,447,839	87,607
Instructional staff	2,912,005	3,206,599	3,162,792	43,807
General administration	537,823	575,195	573,866	1,329
School administration	2,827,489	2,927,198	2,958,425	(31,227)
Central	3,018,214	3,077,501	2,969,018	108,483
Operation and maintenance of facilities	4,888,038	4,888,151	4,644,256	243,895
Student transportation	2,431,000	2,443,328	2,354,087	89,241
Community services	1,464,531	1,522,401	1,656,701	(134,300)
Total expenditures	<u>54,436,243</u>	<u>54,586,270</u>	<u>53,201,481</u>	<u>1,384,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(994,051)</u>	<u>246,595</u>	<u>3,266,673</u>	<u>3,020,078</u>
Other financing sources (uses):				
Transfers in	1,178,660	690,714	690,714	-
Transfers out	(208,667)	(208,667)	(204,461)	4,206
Total other financing sources (uses)	<u>969,993</u>	<u>482,047</u>	<u>486,253</u>	<u>4,206</u>
Net change in fund balances	(24,058)	728,642	3,752,926	3,024,284
Fund balances - beginning	<u>12,222,695</u>	<u>12,883,308</u>	<u>12,883,308</u>	<u>-</u>
Fund balances - ending	<u>\$ 12,198,637</u>	<u>\$ 13,611,950</u>	<u>\$ 16,636,234</u>	<u>\$ 3,024,284</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, 2015

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 4,451,379
Liabilities:	
Medical claims payable	1,511,061
Health reimbursement accounts	<u>961,495</u>
Total liabilities	2,472,556
Net position:	
Unrestricted	<u>1,978,823</u>
Total net position	<u><u>\$ 1,978,823</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, 2015

	Governmental Activities - Internal Service Fund
Operating revenues:	
Premiums charged to other funds	\$ 7,943,561
Refunds	<u>63,153</u>
Total operating revenues	8,006,714
Operating expenses:	
Medical claims	5,410,776
Administrative expenses	539,451
Contributions to health reimbursement accounts	<u>868,251</u>
Total operating expenses	<u>6,818,478</u>
Total operating income / change in fund net position	1,188,236
Net position - beginning	<u>790,587</u>
Net position - ending	<u><u>\$ 1,978,823</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, 2015

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Insurance premiums received	\$ 7,943,561
Refunds received	63,153
Medicaid claims paid	(5,470,829)
Administrative expenses paid	(539,451)
Healthcare reimbursements paid	(345,897)
Net cash provided by operating activities	1,650,537
Cash and cash equivalents - beginning	2,800,842
Cash and cash equivalents - ending (displayed as <i>cash and investments</i> on the statement of fund net position)	\$ 4,451,379
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,188,236
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in medical claims payable	(60,053)
Increase in health reimbursement accounts	522,354
Total adjustments / net cash provided by operating activities	\$ 1,650,537

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 *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds. The fund was closed June 30, 2015.
- 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.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Additionally, the District reports the following fund:

- 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, community services, nutrition services, capital outlay, and debt service. 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.

- 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.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- 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.
- Capital outlay – Capital outlay includes activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites. This service area also includes acquiring equipment for most of the other functions.
- Debt service – Debt service includes the activities related to servicing long-term debt of the District. This function accounts for general obligation bond interest payments and retirement of bonded debt.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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. Proceeds of general long-term debt are reported as other financing sources.

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

Budgetary data – The District operates within the budget requirements for school districts as specified by 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.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- 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 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, 2015 have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

equipment and buses of the District are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

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. 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

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

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 source that qualifies for reporting in this category:

- Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments and b) District contributions subsequent to the measurement date of December 31, 2014.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

The 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, 2015 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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

in other governmental funds (*food services fund*), and unspent donations for scholarships held in other governmental funds (*Park City Education Foundation*).

- Committed – This category includes amounts that can only be used for specific purposes established by formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
 - a) Economic stabilization. As defined in Utah law as an “undistributed reserve,” the District maintains for economic stabilization up to five percent of *general fund* budgeted expenditures. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees” and the use of this reserve requires a written resolution adopted by a majority vote of the Board of Education filed with the Utah State Board of Education and the Utah State Auditor.
 - b) 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
Continued

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2015 as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 5,863,135
Carrying amount of investments	<u>45,937,352</u>
Total cash and investments	<u><u>\$ 51,800,487</u></u>
Governmental funds cash and investments	\$ 47,349,108
Internal service fund cash and investments	<u>4,451,379</u>
Total cash and investments	<u><u>\$ 51,800,487</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, 2015, the District and Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Park City School District	\$ 4,955,821	\$ 5,113,326	\$ 302,061
Park City Education Foundation	<u>907,314</u>	<u>921,365</u>	<u>500,000</u>
	<u><u>\$ 5,863,135</u></u>	<u><u>\$ 6,034,691</u></u>	<u><u>\$ 802,061</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, 2015, 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 – The District invests with the PTIF and the Foundation invests private funds through brokers. 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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

corporate notes, top-tier commercial paper, money market mutual funds, and certificates of deposit. The portfolio has a weighted average of 65 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares. At June 30, 2015, the District has the following investments summarized by investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Park City School District:			
Utah Public Treasurers' Investment Fund (PTIF)	\$ 44,922,634	\$ 44,922,634	\$ -
Park City Education Foundation:			
Mutual funds	497,988	497,988	-
Treasury bonds	516,730	-	516,730
Total investments	<u>\$ 45,937,352</u>	<u>\$ 45,420,622</u>	<u>\$ 516,730</u>

- Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers’ acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody’s Investors Service or by Standard & Poor’s. The District has no investment policy that would further limit its investment choices.
- Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District’s total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation’s investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.
- Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation’s public treasurer to have

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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. PROPERTY TAXES

District property tax revenue – The property tax revenue of the District is collected and distributed by the Summit County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the county board of equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

An annual uniform fee based on the age of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles that is due each time a vehicle is registered. Revenue collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

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

Incremental taxes – In addition to property taxes the District levies for its own purposes, the District levies property taxes for 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*). These taxes are forwarded directly by Summit County to the Agency as the taxes are collected by Summit County.

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.

During the year ended June 30, 2015, incremental taxes levied by the District for the Agency totaling \$1,911,673 were recorded as revenue with an equivalent amount of expenditure in the other governmental funds (*tax increment financing fund*).

As part of a mitigation agreement between the Agency and the District, the Agency paid the District \$853,706 during the year ended June 30, 2015. Of the amount paid, the agreement requires the District to allocate 61% to general purposes and 39% for capital projects.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 4,928,568	\$ -	\$ -	\$ 4,928,568
Capital assets, being depreciated:				
Buildings and improvements	142,594,614	215,381	-	142,809,995
Equipment and buses	8,130,570	463,739	(465,520)	8,128,789
Total capital assets, being depreciated	150,725,184	679,120	(465,520)	150,938,784
Accumulated depreciation for:				
Buildings and improvements	(42,461,518)	(2,894,698)	-	(45,356,216)
Equipment and buses	(5,332,692)	(580,651)	434,925	(5,478,418)
Total accumulated depreciation	(47,794,210)	(3,475,349)	434,925	(50,834,634)
Total capital assets, being depreciated, net	102,930,974	(2,796,229)	(30,595)	100,104,150
Governmental activity capital assets, net	\$ 107,859,542	\$ (2,796,229)	\$ (30,595)	\$ 105,032,718

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

Governmental activities:	
Instruction	\$ 2,525,482
Supporting services:	
General administration	29,522
School administration	139,912
Central	18,497
Operation and maintenance of facilities	196,062
Student transportation	381,188
Nutrition services	147,600
Community services	37,086
Total depreciation expense, governmental activities	\$ 3,475,349

5. STATE RETIREMENT PLANS

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

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

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Defined Contribution Plans (individual account plans):

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

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

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

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

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

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

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

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 5,462,357	\$ -
Tier 1 Contributory System	26,491	1,601
Tier 2 Contributory System	239,170	-
401(k) Plan	544,180	894,991
457 Plan and other individual plans	-	144,905

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2015, the District reported a net pension asset of \$17,568 and a net pension liability of \$22,679,599. The net pension asset and liability were measured as of December 31, 2014, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2014. The District’s proportion of the net pension asset and liability were based on a projection of the District’s long-term share of contributions to the defined benefit pension plans relative to the projected contributions of all participating employers. At December 31, 2014, the District’s proportionate shares in the defined benefit pension plans were as follows:

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	0.9007547%	\$ -	\$ 22,631,720
Tier 1 Contributory System	0.4366610%	-	47,879
Tier 2 Contributory System	0.5797030%	17,568	-
Total		<u>\$ 17,568</u>	<u>\$ 22,679,599</u>

For the year ended December 31, 2014, the District recognized pension expense of \$4,144,938 for the defined benefit pension plans and \$544,180 for the defined contribution plans. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,374,259
Changes of assumptions	-	758,729
Net difference between projected and actual earnings on pension plan investments	402,206	-
District contributions subsequent to the measurement date	3,065,981	-
Total	<u>\$ 3,468,187</u>	<u>\$ 2,132,988</u>

The \$3,065,981 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2016	\$ (446,949)
2017	(446,949)
2018	(446,949)
2019	(370,730)
2020	(3,073)
Thereafter	(16,132)

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

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

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

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

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

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

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

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability	\$ 45,620,860	\$ 22,662,031	\$ 3,443,275

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

Payables to the pension plans – At June 30, 2015, the District reported payables of \$775,151 for contributions to defined benefit pension plans and \$369,458 for contributions to defined contribution plans.

6. 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 \$1,511,061 as of June 30, 2015. 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, 2015 and 2014:

	Medical Coverage	
	2015	2014
Accrued claims payable (beginning of year)	\$ 1,571,114	\$ 1,397,062
Claims (including incurred but not reported)	5,950,227	5,574,374
Payments of claims and administrative costs	(6,010,280)	(5,400,322)
Accrued claims payable (end of year)	\$ 1,511,061	\$ 1,571,114

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, 2015 and 2014:

	Health Reimbursement Accounts	
	2015	2014
Reimbursement account balances (beginning of year)	\$ 439,141	\$ 96,505
Contributions to reimbursement accounts	868,251	572,832
Forfeitures for terminated employees	-	-
Payments for healthcare reimbursements	(345,897)	(230,196)
Reimbursement account balances (end of year)	\$ 961,495	\$ 439,141

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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.

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 3,795,000	\$ -	\$ (3,795,000)	\$ -	\$ -
Bond premium	3,257	-	(3,257)	-	-
Net bonds payable	3,798,257	-	(3,798,257)	-	-
Net pension liability	26,025,027	2,741,650	(6,087,078)	22,679,599	-
Unpaid vacation	193,103	194,962	(192,846)	195,219	156,175
Accrued sick leave	748,774	169,114	(185,826)	732,062	146,412
Medical claims payable	1,571,114	5,950,227	(6,010,280)	1,511,061	1,511,061
Health reimbursement accounts	439,141	868,251	(345,897)	961,495	480,748
Total long-term liabilities	<u>\$ 32,775,416</u>	<u>\$ 9,924,204</u>	<u>\$ (16,620,184)</u>	<u>\$ 26,079,436</u>	<u>\$ 2,294,396</u>

General obligation bonds – The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and procurement of school equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the taxpayers in the District. Payments on the general obligation bonds are made by the *debt service fund* from property taxes levied for debt service.

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2015 is about \$585 million.

8. COMMITMENTS

The District has a noncancelable operating lease agreement for equipment. Lease payments for the year ending June 30, 2015 totaled \$323,370. Future minimum payments due under the lease are \$323,370 for each of the years ending June 30, 2016 through 2018.

PARK CITY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

9. TRANSFERS AND INTERFUND BALANCES

The District transferred \$204,461 from the *general fund* to the other governmental funds primarily to cover administrative costs incurred by the Park City Education Foundation. The District closed the *non k-12 programs fund* (an other governmental fund) and inactivated the *debt service fund* by transferring remaining fund balances to the *general fund* and *capital projects fund*, respectively.

Amounts due to and due from other funds at June 30, 2015 include \$414,792 due from other governmental funds (the *Park City Education Foundation fund*) to the *general fund* for personnel and other administrative costs.

10. 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.

11. RESTATEMENT

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

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

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

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

Required Supplementary Information

**Combining and Individual Fund
Statements and Schedules**

OTHER INFORMATION

