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Independent Auditor's Report

Board of Education
Davis School District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School District (the District) as of and for the year ended June 30, 2013, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 individual fund statements and schedules and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

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

Squire + Company, PC

Orem, Utah
October 31, 2013

Management's Discussion and Analysis

This section of Davis School District's (District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2013. Please read it in conjunction with the transmittal letter found on pages 1 through 5 of this report and the District's financial statements, which follow this section.

Financial Highlights

- The District's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$233.9 million at the close of the most recent fiscal year.
- During the year, expenses were \$7.3 million less than the \$499.4 million generated in taxes and other revenues for governmental activities. Last year, expenses were less than revenues by \$5.7 million.
- Actual expenditures in the *General Fund* were \$0.8 million less than final budgeted amounts, and resources available for appropriation were \$2.3 million more than final budgeted amounts.
- The District's unassigned fund balance in the *General Fund* increased by \$1.9 million. An increase of \$1.0 million in fund balance was budgeted for the year.
- The District continued providing for its student growth by issuing \$20.0 million of new bonds. The Vista Center, a special education facility (estimated cost of \$13.0 million) was substantially completed and is scheduled to open for the 2013-2014 school year. The remodel/addition of Layton High School was completed at a cost of \$21.8 million. The District is currently progressing on remodels at Bountiful High School (estimated cost of \$11.2 million) and Central Davis Junior High School (estimated cost of \$4.5 million). The District has \$102.5 million of bonds available to issue of the voter-approved \$250.0 million bond authorization.

Overview of the Financial Statements

This discussion and analysis is 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 other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unpaid employee benefits).

The government-wide financial statements can be found on pages 35 to 36 of this report.

The government-wide financial statements of the District are divided into three categories:

- **Governmental activities.** Most of the District’s basic services are included here, such as instruction, various supporting services and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities.** The District charges fees to students and customers and receives specific grants from various local, state, and federal agencies to help cover the costs of certain services it provides. The Pioneer Adult Rehabilitation Center is included here.
- **Component unit.** The District includes one other entity in the report, the Davis County School District Foundation. Although legally separate, this “component unit” is included because the District is the fiscal agent and is financial accountable for it, and its purpose is to solicit donations to support educational programs of the District.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government’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 government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *General Fund*, the *Debt Service Fund*, and the *Capital Projects Fund*, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the governmental funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in the report.

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

The basic governmental fund financial statements can be found on pages 37 to 41 of this report.

- **Proprietary funds.** The District maintains two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *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, and it is included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its enterprise fund and for the internal service fund. The basic proprietary fund financial statements can be found on pages 42 to 44 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 45 to 62 of this report.

Other information. Individual fund statements and schedules are presented immediately following the notes to the basic financial statements. Individual fund statements and schedules can be found on pages 63 to 77 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 exceeded liabilities by \$233.9 million at the close of the most recent fiscal year.

DAVIS SCHOOL DISTRICT'S Net Position
June 30, 2013 and 2012
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change 2012-13
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 264.1	\$ 274.4	\$ 5.2	\$ 4.5	\$ 269.3	\$ 278.9	\$ (9.6)
Capital assets	578.1	575.7	2.2	2.3	580.3	578.0	2.3
Total assets	842.2	850.1	7.4	6.8	849.6	856.9	(7.3)
Deferred outflows of resources	3.4	2.6	-	-	3.4	2.6	0.8
Current and other liabilities	56.6	61.7	0.1	0.1	56.7	61.8	(5.1)
Long-term liabilities outstanding	436.4	447.6	0.1	0.1	436.5	447.7	(11.2)
Total liabilities	493.0	509.3	0.2	0.2	493.2	509.5	(16.3)
Deferred inflows of resources	125.9	124.0	-	-	125.9	124.0	1.9
Net position:							
Net investment in capital assets	173.3	173.1	2.2	2.3	175.5	175.4	0.1
Restricted	30.4	28.4	-	-	30.4	28.4	2.0
Unrestricted	23.0	17.9	5.0	4.3	28.0	22.2	5.8
Total net position (as restated)	\$ 226.7	\$ 219.4	\$ 7.2	\$ 6.6	\$ 233.9	\$ 226.0	\$ 7.9

- Net position of the District's governmental activities increased to \$226.7 million. However, most of the net position is either restricted as to the purposes they can be used for or are invested in net capital assets (land, buildings and improvements, equipment, and so on). Therefore, *unrestricted* net position showed a \$23.0 million balance at the end of this year, an increase of \$5.1 million from last year. Unrestricted net position will be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.
- The net position of the District's business-type activities increased by 9.1% to \$7.2 million. Unrestricted net position increased by 16.3% to \$5.0 million. The District can only use these funds to finance the continuing operations of the Pioneer Adult Rehabilitation Center.
- A portion of the District's net position reflects its net investment in capital assets still outstanding used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- An additional portion of the District’s net position represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for debt service, school food services and capital projects.

The District’s total net position increased \$7.9 million during the current year. This increase was the result of fiscal controls to help maintain or lower costs and increased tax collections. Of the \$7.9 million increase in total net position, unrestricted net position increased by \$5.8 million, while restricted net position increased by \$2.0 million. The net investment in capital assets increased by \$0.1 million.

- The District’s total revenues increased 1.5% to \$509.0 million. Federal and state aid makes up 63.3% of the District’s revenues; property taxes generate 28.5% of the District’s revenues.
- The total cost of all programs and services increased by 1.2% to \$501.1 million. Instruction and support services make up 65.4% and 25.6% respectively, of the District’s expenses.

DAVIS SCHOOL DISTRICT'S Changes in Net Position
Years Ended June 30, 2013 and 2012
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for services	\$ 13.8	\$ 14.3	\$ 8.9	\$ 7.3	\$ 22.7	\$ 21.6	\$ 1.1
Operating grants and contributions	110.4	113.5	0.7	0.8	111.1	114.3	(3.2)
General revenues:							
Property taxes	144.9	138.9	-	-	144.9	138.9	6.0
Federal and state aid not restricted to specific purposes	211.0	206.4	-	-	211.0	206.4	4.6
Interest	0.7	1.5	-	-	0.7	1.5	(0.8)
Miscellaneous	18.6	18.6	-	-	18.6	18.6	-
Total revenues	<u>499.4</u>	<u>493.2</u>	<u>9.6</u>	<u>8.1</u>	<u>509.0</u>	<u>501.3</u>	<u>7.7</u>
Expenses:							
Instruction	327.8	321.7	-	-	327.8	321.7	6.1
Support services:							
Student	14.9	14.6	-	-	14.9	14.6	0.3
Instructional staff	17.1	16.8	-	-	17.1	16.8	0.3
District administration	3.0	2.8	-	-	3.0	2.8	0.2
School administration	26.3	25.8	-	-	26.3	25.8	0.5
Business administration	12.8	12.1	-	-	12.8	12.1	0.7
Operation and maintenance of facilities	41.6	40.9	-	-	41.6	40.9	0.7
Student transportation	12.4	13.0	-	-	12.4	13.0	(0.6)
School food services	23.3	23.7	-	-	23.3	23.7	(0.4)
Interest on long-term liabilities	12.9	16.1	-	-	12.9	16.1	(3.2)
Pioneer Adult Rehab Center	-	-	9.0	7.5	9.0	7.5	1.5
Total expenses	<u>492.1</u>	<u>487.5</u>	<u>9.0</u>	<u>7.5</u>	<u>501.1</u>	<u>495.0</u>	<u>6.1</u>
Changes in net position	7.3	5.7	0.6	0.6	7.9	6.3	1.6
Net position, beginning (as restated)	219.4	213.7	6.6	6.0	226.0	219.7	6.3
Net position, ending	<u>\$ 226.7</u>	<u>\$ 219.4</u>	<u>\$ 7.2</u>	<u>\$ 6.6</u>	<u>\$ 233.9</u>	<u>\$ 226.0</u>	<u>\$ 7.9</u>

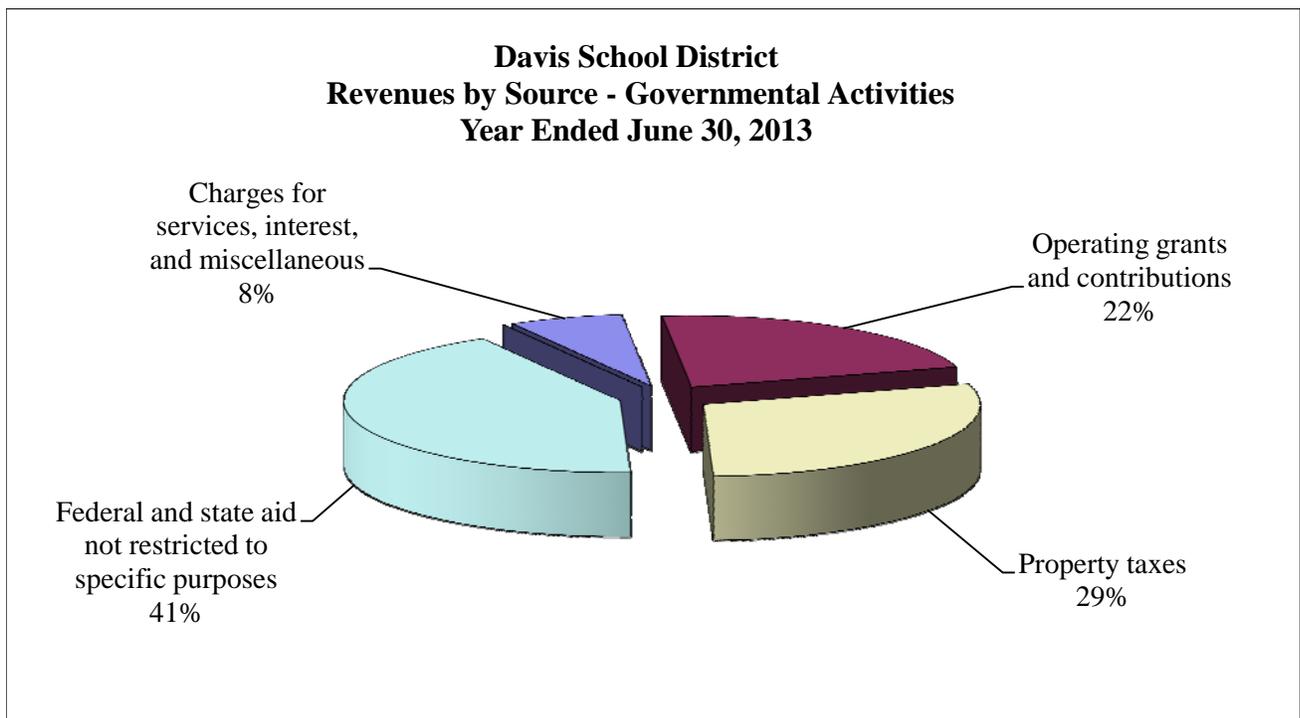
The narrative that follows considers the operations of governmental and business-type activities separately.

Governmental activities. The key elements of the increase in the District’s net position for the year ended June 30, 2013 are as follows:

- Revenues increased \$6.2 million or 1.3% and continue to be primarily from federal and state aid and local property taxes.

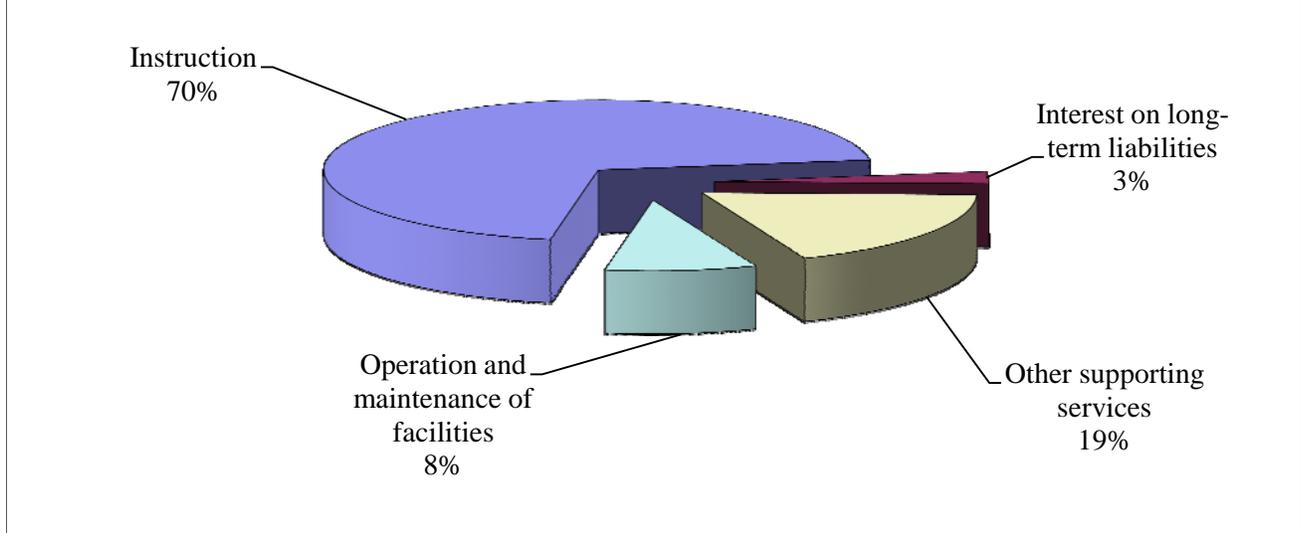
Federal and state aid not restricted to specific purposes increased by 2.2% or \$4.6 million. Total federal aid increased 4.1% to \$46.0 million. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide money equal to the amount generated by the WPU the state will make up the difference with state funding. The value of the WPU increased 0.9% from \$2,816 to \$2,842.

Tax revenues increased to \$144.9 million or by 4.3%. This increase was the result of growth in the overall tax base of the county and collections of prior years’ delinquent taxes.



- Expenses for governmental activities increased \$4.6 million, or 0.9%. An increase of \$8.5 million in the *General Fund* was offset by lower expenditures in capital bond programs and debt service payments.

**Davis School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2013**



Business-type activities. The \$0.6 million increase in the District’s net position for the year ended June 30, 2013 was a result of the operations of the Pioneer Adult Rehabilitation Center.

- Overall revenues increased \$1.5 million due to increased contract agreements and expenses increased \$1.5 million.

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 \$81.0 million, \$6.3 million less than the previous year. This decrease was due primarily to an \$8.5 million decrease in the *Capital Projects Fund* due to the construction of facilities and debt service payments. The *Debt Service Fund* utilized its \$0.4 million fund balance to offset lower tax revenues in this fund. The *General Fund* had a \$4.0 million increase in fund balance. In addition, the following changes in revenues and expenditures should be noted:

- Revenues for general District purposes totaled \$401.8 million, an increase of 2.1%, during the current fiscal year. This increase is primarily due to a shift of tax rates from the *Capital Projects Fund* to the *General Fund*. Revenues for debt service and capital projects were up 6.8% and down 10.1% respectively. The *Capital Projects Fund’s* decrease was a result of a shift of tax rates as mentioned previously. State revenues were up 0.6% in the *General Fund* due to increases in state appropriations for enrollment growth and federal revenues were up \$0.6 million or 1.9%.
- Expenditures for general District purposes totaled \$397.8 million, an increase of 2.2% during the current fiscal year. Instruction represents 69.0% of *General Fund* expenditures. Debt service expenditures decreased 6.1%, and capital project expenditures were down 29.0%.

- *General Fund* salaries totaled \$246.1 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$109.0 million to arrive at 89.3% of total *General Fund* expenditures.

Governmental funds report the differences between their assets, deferred outflows of resources, liabilities, and deferred inflows of resources as fund balance, which is divided into non-spendable, restricted, and unrestricted portions. Non spendable fund balance represents items such as inventories which are not resources that can be readily 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. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. Committed balances reflect the District's self-imposed limitation of the use of otherwise available expendable financial resources in governmental funds. Assigned balances in the *General Fund* and in other governmental funds are those that do not meet the requirements of restricted or committed but are intended to be used for specific purposes. Unassigned balances in the *General Fund* are all other available net fund resources. At June 30, 2013, the District's combined governmental fund balance is \$81.0 million (\$3.1 million in non spendable, \$43.5 million in restricted, \$13.8 million in committed, \$6.1 million in assigned, and \$14.5 in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$0.8 million or 0.2% in total *General Fund* expenditures.

During the year, final budgeted revenues were more than original budgetary estimates by \$0.2 million or 0.1%. The increase primarily reflects additional tax revenue of \$5.2 million offset by lower State matching revenues of \$4.6 million.

Even with these adjustments, the District put in place cost cutting measures to hold expenditures below the amended budget in order to build reserves for unanticipated future costs. Consequently, actual expenditures were \$0.8 million below final budgeted amounts. Additionally, resources available for appropriation were \$2.3 million above the final budgeted amount. The increase was largely due to increased delinquent tax collections and an increase in federal Medicaid funding for students with disabilities.

Capital Asset and Debt Administration

Capital Assets. The *Capital Projects Fund* is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. The District spent \$24.8 million for capital assets. Major projects include the construction of the Vista Center a special education facility (estimated cost of \$13.0 million), Layton High School remodel/addition (cost of \$21.8 million), Bountiful High School remodel (estimated cost of \$11.2 million), and Central Davis Junior High School remodel (estimated cost of \$4.5 million).

The District continues to experience moderate growth in total students and a shift in student population to the north and southwest section of the District. The District's 60th elementary school is currently under construction in the southwest section of the County. Major projects to be funded with the current bond proceeds include two additional elementary schools and a classroom addition at Millcreek Junior High School.

Capital assets at June 30, 2013 and 2012 are outlined below:

DAVIS SCHOOL DISTRICT'S Capital Assets
June 30, 2013 and 2012
(net of accumulated depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 43.9	\$ 43.1	\$ -	\$ -	\$ 43.9	\$ 43.1	\$ 0.8
Construction in progress	28.8	45.4	-	-	28.8	45.4	(16.6)
Buildings and improvements	494.8	477.4	2.1	2.2	496.9	479.6	17.3
Furniture and equipment	4.1	3.9	0.1	0.1	4.2	4.0	0.2
Transportation equipment	6.5	5.9	-	-	6.5	5.9	0.6
Total capital assets	<u>\$ 578.1</u>	<u>\$ 575.7</u>	<u>\$ 2.2</u>	<u>\$ 2.3</u>	<u>\$ 580.3</u>	<u>\$ 578.0</u>	<u>\$ 2.3</u>

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

Debt Administration. On November 3, 2009, the registered voters of Davis County passed a bond authorization in the amount of \$250.0 million for general obligation school building bonds for new school construction, land acquisitions, renovation of existing school facilities, and related equipment and improvements. This debt authorization was sought to cope with the demands of student growth over the next five years, with student migration to the northwest portion of the county, and to help maintain the District's investment in its capital assets. The voter authorization passed convincingly with 63.2% in favor.

The District issued \$20.0 million of the authorization on March 21, 2013. Of the \$250.0 million, \$147.5 million has been issued leaving \$102.5 million available for future issues as of June 30, 2013.

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, 2013, is \$1,007.9 million. General obligation debt, net of unamortized premiums, at June 30, 2013, is \$423.0 million, resulting in a legal debt margin of \$584.9 million.

DAVIS SCHOOL DISTRICT'S Outstanding Debt
June 20, 2013 and 2012
Net of Accumulated Amortization
(in millions of dollars)

	Governmental activities		Total Change
	2013	2012	2013-2012
Net general obligation bonds	\$ 423.0	\$ 432.4	\$ (9.4)
Obligations under capital lease	0.4	0.7	(0.3)
Total	<u>\$ 423.4</u>	<u>\$ 433.1</u>	<u>\$ (9.7)</u>

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

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

Changing Enrollment within the District

Student enrollment counts are officially taken on October 1 of each year. Student growth continues to be moderate as reflected in the October 2013 count. The District anticipated growth of approximately 600 students for the 2013-14 school year; however, actual growth was 229 students. Growth continues to be focused in the northwest section of the District. The chart below reflects the counts taken between October 1, 2009, and October 1, 2013, and shows total student growth of 3,557 students over the five-year period, a 5.4% increase.

DAVIS SCHOOL DISTRICT'S Student Enrollment

District fiscal year	2010	2011	2012	2013	2014	Total
October 1st enrollment	65,452	66,019	67,736	68,342	68,571	
Total enrollment change	438	567	1,717	606	229	3,557
Percentage change	0.7%	0.9%	2.6%	0.9%	0.3%	5.4%

The District has ongoing planning efforts to analyze and deal with the issues related to new growth. A bond authorization approved by voters on November 3, 2009, for \$250.0 million will help meet the ongoing needs of the District's 20-year capital plan and to provide continuous cash flows for the necessary capital projects. With bond proceeds as well as ongoing capital funds from taxes, the District expects to meet the demands of projected student growth over both the short-term planning horizon (5 years) as well as the long-term (20+ years).

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Davis School District, Office of the Business Administrator, 45 East State Street (P.O. Box 588), Farmington, UT 84025.

DAVIS SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	District Foundation
Assets:				
Cash and investments	\$ 114,421,763	\$ 3,989,198	\$ 118,410,961	\$ 1,157,968
Receivables:				
Property taxes	135,535,869	-	135,535,869	-
Other local	357,614	1,217,128	1,574,742	-
State of Utah	1,884,801	-	1,884,801	-
Federal government	4,318,540	-	4,318,540	-
Prepaid expenses	169,203	-	169,203	
Inventories	7,436,464	56,743	7,493,207	-
Capital assets:				
Land and construction in progress	72,733,962	-	72,733,962	-
Other capital assets, net of accumulated depreciation	505,414,085	2,170,471	507,584,556	-
Total assets	842,272,301	7,433,540	849,705,841	1,157,968
Deferred Outflows of Resources:				
Deferred charge on refunding	3,426,536	-	3,426,536	-
Liabilities:				
Accounts payable	6,327,988	91,038	6,419,026	2,500
Accrued interest	1,472,717	-	1,472,717	-
Accrued salaries and benefits	45,060,570	-	45,060,570	-
Unearned revenue:				
Other local	23,320	-	23,320	-
State of Utah	3,757,535	-	3,757,535	-
Noncurrent liabilities:				
Due or payable within one year	33,695,554	39,667	33,735,221	-
Due or payable after one year	402,723,756	57,269	402,781,025	-
Total liabilities	493,061,440	187,974	493,249,414	2,500
Deferred Inflows of Resources:				
Property taxes levied for future year	125,889,901	-	125,889,901	-
Net Position:				
Net investment in capital assets	173,328,822	2,170,471	175,499,293	-
Restricted for:				
Capital projects	26,185,822	-	26,185,822	-
State multi-district program	47,949	-	47,949	-
School food services	4,214,876	-	4,214,876	-
Scholarships and awards	-	-	-	1,155,468
Unrestricted	22,970,027	5,075,095	28,045,122	-
Total net position	\$ 226,747,496	\$ 7,245,566	\$ 233,993,062	\$ 1,155,468

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

DAVIS SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2013

Activities/Functions	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues		Primary Government		Total	Foundation	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities			
Primary government:							
Governmental activities:							
Instruction	\$ 323,396,042	\$ 5,573,818	\$ 76,689,159	\$ (241,133,065)		\$ (241,133,065)	
Supporting services:							
Students	14,908,145	-	4,835,202	(10,072,943)		(10,072,943)	
Instructional staff	17,103,095	-	3,668,822	(13,434,273)		(13,434,273)	
District administration	2,980,232	-	88,601	(2,891,631)		(2,891,631)	
School administration	26,300,594	-	804,549	(25,496,045)		(25,496,045)	
Central	12,779,351	-	1,458,711	(11,320,640)		(11,320,640)	
Operation and maintenance of facilities	41,608,600	270,423	685,001	(40,653,176)		(40,653,176)	
Student transportation	12,435,361	-	7,092,664	(5,342,697)		(5,342,697)	
School food service	23,289,137	7,929,725	15,086,333	(273,079)		(273,079)	
Interest on long-term liabilities	17,299,437	-	-	(17,299,437)		(17,299,437)	
Total governmental activities	492,099,994	13,773,966	110,409,041	(367,916,987)		(367,916,987)	
Business-type activities:							
Pioneer Adult Rehabilitation Center	9,005,112	8,875,291	748,236	-	\$ 618,415	618,415	
Total primary government	\$ 501,105,106	\$ 22,649,257	\$ 111,157,277	(367,916,987)	618,415	(367,298,572)	
Component unit:							
Davis School District Foundation	\$ 948,716	-	\$ 993,946			\$ 45,230	
General revenues:							
Property taxes levied for:							
Basic levy set by state for K-12 instruction				26,984,004	-	26,984,004	-
Voted leeway for K-12 instruction				26,120,019	-	26,120,019	-
Board local leeway				33,510,760	-	33,510,760	-
General obligation bond debt service				41,971,606	-	41,971,606	-
Capital outlay				16,342,018	-	16,342,018	-
Federal and state revenue not restricted to specific purposes				210,949,940	-	210,949,940	-
Earnings on investments				714,479	14,548	729,027	9,343
Miscellaneous				18,632,517	-	18,632,517	-
Total general revenues				375,225,343	14,548	375,239,891	9,343
Change in net position				7,308,356	632,963	7,941,319	54,573
Net position - beginning (as restated)				219,439,140	6,612,603	226,051,743	1,100,895
Net position - ending				\$ 226,747,496	\$ 7,245,566	\$ 233,993,062	\$ 1,155,468

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

DAVIS SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2013

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Assets:					
Cash and investments	\$ 55,524,379	\$ 4,439,747	\$ 44,050,715	\$ 10,406,922	\$ 114,421,763
Receivables:					
Property taxes	79,752,339	39,938,712	15,844,818	-	135,535,869
Other local	276,320	-	15,775	20	292,115
State of Utah	267,716	-	-	1,617,085	1,884,801
Federal government	3,901,786	-	-	416,754	4,318,540
Due from other funds	11,728,372	-	-	-	11,728,372
Prepaid expenditures	169,203	-	-	-	169,203
Inventories	1,298,455	-	-	1,587,032	2,885,487
Total assets	<u>\$ 152,918,570</u>	<u>\$ 44,378,459</u>	<u>\$ 59,911,308</u>	<u>\$ 14,027,813</u>	<u>\$ 271,236,150</u>
Liabilities:					
Accounts payable	\$ 1,503,469	\$ -	\$ 3,971,579	\$ 193,568	\$ 5,668,616
Accrued salaries and benefits	45,060,570	-	-	-	45,060,570
Due to other funds	-	6,172,696	-	26,911	6,199,607
Unearned revenue:					
Other local	-	-	-	23,320	23,320
State of Utah	3,757,535	-	-	-	3,757,535
Total liabilities	<u>50,321,574</u>	<u>6,172,696</u>	<u>3,971,579</u>	<u>243,799</u>	<u>60,709,648</u>
Deferred Inflows of Resources:					
Unavailable property tax revenue	2,152,376	1,040,763	426,265	-	3,619,404
Property taxes levied for future year	74,069,901	37,165,000	14,655,000	-	125,889,901
Total deferred inflows of resources	<u>76,222,277</u>	<u>38,205,763</u>	<u>15,081,265</u>	<u>-</u>	<u>129,509,305</u>
Fund Balances:					
Nonspendable:					
Inventories and prepaids	1,467,658	-	-	1,587,032	3,054,690
Restricted for:					
Capital projects	-	-	40,858,464	-	40,858,464
School food services	-	-	-	2,627,844	2,627,844
State multi-district program	-	-	-	47,949	47,949
Committed to:					
Workers compensation	300,000	-	-	-	300,000
Termination benefits	4,000,000	-	-	-	4,000,000
Schools	-	-	-	9,521,189	9,521,189
Assigned to:					
Programs	5,808,767	-	-	-	5,808,767
Schools	250,000	-	-	-	250,000
Unassigned	14,548,294	-	-	-	14,548,294
Total fund balances	<u>26,374,719</u>	<u>-</u>	<u>40,858,464</u>	<u>13,784,014</u>	<u>81,017,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 152,918,570</u>	<u>\$ 44,378,459</u>	<u>\$ 59,911,308</u>	<u>\$ 14,027,813</u>	<u>\$ 271,236,150</u>

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

DAVIS SCHOOL DISTRICT

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

June 30, 2013

Total fund balances for governmental funds \$ 81,017,197

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

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

Land	\$ 43,275,308	
Construction in progress	28,809,832	
Buildings and improvements, net of \$279,263,622 accumulated depreciation	494,189,049	
Furniture and equipment, net of \$10,741,682 accumulated depreciation	3,753,099	
Transportation equipment, net of \$21,609,232 accumulated depreciation	<u>6,501,048</u>	576,528,336

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 3,619,404

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$1,460,237 and accrued interest for obligations under capital leases is \$12,480. (1,472,717)

An internal service fund is used by management to charge the costs of warehouse services to individual funds and other school districts. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year-end are: -

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

Bonds payable	(409,130,000)	
Deferred charge on refunding	3,426,536	
Unamortized premiums	(13,822,209)	
Obligations under capital leases	(379,978)	
Accrued vacation	(3,705,823)	
Accrued sick leave	(1,934,825)	
Accrued personal leave	(1,292,196)	
Early retirement payable	<u>(6,106,229)</u>	(432,944,724)

Total net position - governmental activities \$ 226,747,496

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

DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2013

	<u>Major Governmental Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
Revenues:					
Property taxes	\$ 87,430,998	\$ 42,276,678	\$ 16,239,781	\$ -	\$ 145,947,457
Earnings on investments	331,169	-	243,310	140,000	714,479
Other local sources	9,342,907	-	660,121	15,207,975	25,211,003
School lunch sales	-	-	-	7,222,390	7,222,390
State of Utah	271,423,455	-	259,925	3,666,210	275,349,590
Federal government	33,277,243	1,067,353	-	11,664,795	46,009,391
Total revenues	<u>401,805,772</u>	<u>43,344,031</u>	<u>17,403,137</u>	<u>37,901,370</u>	<u>500,454,310</u>
Expenditures:					
Current:					
Instruction	274,541,223	-	-	16,418,822	290,960,045
Supporting services:					
Students	14,738,515	-	-	-	14,738,515
Instructional staff	16,995,074	-	-	-	16,995,074
District administration	2,583,855	-	-	-	2,583,855
School administration	25,380,335	-	-	-	25,380,335
Central	12,284,036	-	-	-	12,284,036
Operation and maintenance of facilities	40,108,854	-	-	-	40,108,854
Student transportation	11,134,619	-	-	-	11,134,619
School food service	-	-	-	22,948,731	22,948,731
Capital outlay	-	-	41,399,708	-	41,399,708
Debt service:					
Bond principal	-	29,635,000	-	-	29,635,000
Bond interest	-	14,104,949	4,439,747	-	18,544,696
Bond issuance costs	-	146,075	219,988	-	366,063
Capital lease payments	-	-	311,425	-	311,425
Fees and miscellaneous charges	-	4,800	-	-	4,800
Total expenditures	<u>397,766,511</u>	<u>43,890,824</u>	<u>46,370,868</u>	<u>39,367,553</u>	<u>527,395,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,039,261</u>	<u>(546,793)</u>	<u>(28,967,731)</u>	<u>(1,466,183)</u>	<u>(26,941,446)</u>
Other financing sources (uses):					
General obligation bonds issued	-	-	20,000,000	-	20,000,000
General obligation bonds premium	-	-	512,567	-	512,567
Refunding bonds issued	-	20,550,000	-	-	20,550,000
Refunding bonds premium	-	2,839,916	-	-	2,839,916
Refunded bonds escrow payment	-	(23,243,841)	-	-	(23,243,841)
Total other financing sources (uses)	<u>-</u>	<u>146,075</u>	<u>20,512,567</u>	<u>-</u>	<u>20,658,642</u>
Net change in fund balances	4,039,261	(400,718)	(8,455,164)	(1,466,183)	(6,282,804)
Fund balances - beginning	<u>22,335,458</u>	<u>400,718</u>	<u>49,313,628</u>	<u>15,250,197</u>	<u>87,300,001</u>
Fund balances - ending	<u>\$ 26,374,719</u>	<u>\$ -</u>	<u>\$ 40,858,464</u>	<u>\$ 13,784,014</u>	<u>\$ 81,017,197</u>

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

DAVIS 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, 2013

Net change in fund balances-total governmental funds \$ (6,282,804)

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, equipment with an initial, individual cost of more than \$5,000 and buildings and improvements with an initial, individual cost of more than \$100,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 24,794,404	
Gain on sale of capital assets	(26,910)	
Depreciation expense	<u>(22,163,226)</u>	2,604,268

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Interest expense - capital leases	6,004	
Principal payments on capital leases	<u>283,228</u>	289,232

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect 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. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds	(40,550,000)	
Bond premium	(3,352,483)	
Amortization of deferred amounts on refunding	(576,862)	
Amortization of bond premium	1,896,277	
Repayment of bond principal	29,635,000	
Refunded bonds escrow payment	23,243,841	
Interest expense - general obligation bonds	<u>(47,163)</u>	10,248,610

Property tax revenue is recognized when levied (claim to resources established) rather than when available. The portion not available soon enough to pay for the current period's expenditures is reported as deferred inflows of resources in the funds. (1,019,050)

In the statement of activities, certain operating expenses - compensated absences (vacation and sick and personal leave) and termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, benefit obligations changed by the following amounts:

Accrued vacation	(98,517)	
Accrued sick and personal leave	11,625	
Early retirement payable	<u>1,554,992</u>	1,468,100

Internal service fund are used by the District to charge the costs of warehouse services to individual funds. The change in net position of the internal service funds is reported with governmental activities. -

Change in net position of governmental activities \$ 7,308,356

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

DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 81,554,400	\$ 86,736,300	\$ 87,430,998	\$ 694,698
Earnings on investments	550,000	425,000	331,169	(93,831)
Other local sources	8,787,400	8,787,400	9,342,907	555,507
State of Utah	277,300,742	272,710,851	271,423,455	(1,287,396)
Federal government	<u>31,095,255</u>	<u>30,857,445</u>	<u>33,277,243</u>	<u>2,419,798</u>
Total revenues	<u>399,287,797</u>	<u>399,516,996</u>	<u>401,805,772</u>	<u>2,288,776</u>
Expenditures:				
Current:				
Instruction	276,678,997	274,651,896	274,541,223	110,673
Supporting services:				
Students	14,843,500	14,926,400	14,738,515	187,885
Instructional staff	17,162,800	17,110,100	16,995,074	115,026
District administration	2,592,600	2,507,600	2,583,855	(76,255)
School administration	25,682,300	25,489,100	25,380,335	108,765
Central	11,094,200	12,324,500	12,284,036	40,464
Operation and maintenance of facilities	39,550,600	40,176,400	40,108,854	67,546
Student transportation	<u>11,682,800</u>	<u>11,331,000</u>	<u>11,134,619</u>	<u>196,381</u>
Total expenditures	<u>399,287,797</u>	<u>398,516,996</u>	<u>397,766,511</u>	<u>750,485</u>
Excess of revenues over expenditures / net change in fund balances	-	1,000,000	4,039,261	3,039,261
Fund balances - beginning	<u>22,335,458</u>	<u>22,335,458</u>	<u>22,335,458</u>	<u>-</u>
Fund balances - ending	<u>\$ 22,335,458</u>	<u>\$ 23,335,458</u>	<u>\$ 26,374,719</u>	<u>\$ 3,039,261</u>

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

DAVIS SCHOOL DISTRICT
Statements of Fund Net Position
Proprietary Funds
Year Ended June 30, 2013
With Comparative Totals for 2012

	Enterprise Fund -		Governmental Activities -	
	Pioneer Adult Rehab Center		Internal Service Fund	
	District Warehouse		District Warehouse	
	2013	2012	2013	2012
Assets:				
Current assets:				
Cash and investments	\$ 3,989,198	\$ 389,142	\$ -	\$ -
Receivables - other local	1,217,128	973,500	65,499	29,219
Due from other funds	-	2,995,527	-	-
Inventories of supplies	56,743	162,223	4,550,977	3,617,086
Total current assets	<u>5,263,069</u>	<u>4,520,392</u>	<u>4,616,476</u>	<u>3,646,305</u>
Noncurrent assets:				
Capital assets:				
Land	-	-	648,822	648,822
Buildings and improvements	3,660,322	3,660,322	1,519,215	1,519,215
Equipment	586,388	586,388	1,274,684	1,242,687
Accumulated depreciation	<u>(2,076,239)</u>	<u>(1,940,257)</u>	<u>(1,823,010)</u>	<u>(1,664,623)</u>
Net capital assets	<u>2,170,471</u>	<u>2,306,453</u>	<u>1,619,711</u>	<u>1,746,101</u>
Total assets	<u>7,433,540</u>	<u>6,826,845</u>	<u>6,236,187</u>	<u>5,392,406</u>
Liabilities:				
Current liabilities:				
Accounts payable	91,038	120,911	659,372	711,053
Compensation liability	39,667	38,191	18,081	16,274
Due to other funds	-	-	5,528,765	4,638,104
Total current liabilities	<u>130,705</u>	<u>159,102</u>	<u>6,206,218</u>	<u>5,365,431</u>
Noncurrent liabilities:				
Compensation liability	<u>57,269</u>	<u>55,140</u>	<u>29,969</u>	<u>26,975</u>
Total liabilities	<u>187,974</u>	<u>214,242</u>	<u>6,236,187</u>	<u>5,392,406</u>
Net position:				
Net investment in capital assets	2,170,471	2,306,453	1,619,711	1,746,101
Unrestricted	<u>5,075,095</u>	<u>4,306,150</u>	<u>(1,619,711)</u>	<u>(1,746,101)</u>
Total net position	<u>\$ 7,245,566</u>	<u>\$ 6,612,603</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to basic financial statements are an integral part of these statements.

DAVIS SCHOOL DISTRICT

Statements of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds

Year Ended June 30, 2013

With Comparative Totals for 2012

	Enterprise Fund - Pioneer Adult Rehab Center		Governmental Activities - Internal Service Fund District Warehouse	
	2013	2012	2013	2012
	Operating revenues:			
Charges for services	\$ 8,014,676	\$ 6,669,924	\$ 949,880	\$ 957,021
Other local	860,615	621,549	-	-
Total operating revenues	<u>8,875,291</u>	<u>7,291,473</u>	<u>949,880</u>	<u>957,021</u>
Operating expenses:				
Salaries and benefits	5,579,650	5,175,471	791,493	722,092
Depreciation	135,982	165,415	158,387	163,524
Indirect charges	252,605	205,318	-	-
Other	3,036,875	1,961,568	-	71,405
Total operating expenses	<u>9,005,112</u>	<u>7,507,772</u>	<u>949,880</u>	<u>957,021</u>
Operating income (loss)	<u>(129,821)</u>	<u>(216,299)</u>	<u>-</u>	<u>-</u>
Nonoperating income:				
Earnings on investments	14,548	16,598	-	-
State of Utah subsidies	748,236	844,109	-	-
Total nonoperating income	<u>762,784</u>	<u>860,707</u>	<u>-</u>	<u>-</u>
Change in net position	632,963	644,408	-	-
Total net position - beginning	<u>6,612,603</u>	<u>5,968,195</u>	<u>-</u>	<u>-</u>
Total net position - ending	<u><u>\$ 7,245,566</u></u>	<u><u>\$ 6,612,603</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to basic financial statements are an integral part of these statements.

DAVIS SCHOOL DISTRICT

**Statements of Fund Cash Flows
Proprietary Funds
Year Ended June 30, 2013**

	Enterprise Fund - Pioneer Adult Rehab Center		Governmental Activities - Internal Service Fund District Warehouse	
	2013	2012	2013	2012
Cash flows from operating activities:				
Receipts from interfund services provided	\$ -	\$ -	\$ 1,804,261	\$ 534,441
Receipts from customers	8,631,663	7,518,864	-	-
Payments to suppliers	(218,346)	(5,244,394)	(985,572)	205,270
Payments to employees	(5,576,045)	(5,167,333)	(786,692)	(724,515)
Net cash provided (used) by operating activities	<u>2,837,272</u>	<u>(2,892,863)</u>	<u>31,997</u>	<u>15,196</u>
Cash flows from noncapital financing activities:				
Receipt of earnings on investments	14,548	16,598	-	-
Receipt of state subsidies	748,236	844,109	-	-
Net cash provided by noncapital financing activities	<u>762,784</u>	<u>860,707</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	-	(31,997)	(15,196)
Net increase (decrease) in cash and cash equivalents	3,600,056	(2,032,156)	-	-
Cash and cash equivalents - beginning	<u>389,142</u>	<u>2,421,298</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents - ending (displayed as cash and investments on the statements of fund net position)	<u>\$ 3,989,198</u>	<u>\$ 389,142</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (129,821)	\$ (216,299)	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	135,982	165,415	158,387	163,524
Changes in operating assets and liabilities:				
Accounts receivable	(243,628)	227,391	(36,280)	14,598
Due from other funds	2,995,527	(2,995,527)	-	-
Inventories	105,480	(135,898)	(933,891)	163,856
Accounts payable	(29,873)	53,917	(51,681)	112,819
Compensation liability	3,605	8,138	4,801	(2,423)
Due to other funds	-	-	890,661	(437,178)
Total adjustments	<u>2,967,093</u>	<u>(2,676,564)</u>	<u>31,997</u>	<u>15,196</u>
Net cash provided (used) by operating activities	<u>\$ 2,837,272</u>	<u>\$ (2,892,863)</u>	<u>\$ 31,997</u>	<u>\$ 15,196</u>
Noncash investing, capital, and financing activities	<u>none</u>	<u>none</u>	<u>none</u>	<u>none</u>

The notes to basic financial statements are an integral part of these statements.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Davis 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 seven elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, Davis School District Foundation, a legally separate organization for which the District is considered to be financially accountable. Due to the relationship between the District and the Foundation, it would be misleading to exclude the financial information of the Foundation from this report. The Foundation exclusively services the District. The District makes all personnel decisions for the Foundation and pays for all operating costs of the Foundation. The Foundation is reported as a separate column in the District’s government-wide financial statements as a discretely presented component unit; the Foundation is reported as a governmental fund type. Separate financial statements for the Foundation may be obtained at the District’s administrative office.

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. Exceptions occur only when the elimination of such activity would distort the expenses and revenues reported by function. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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, and operation and maintenance of facilities) 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. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental funds are reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal services.

The District reports the following major governmental funds:

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

The District reports the *Pioneer Adult Rehabilitation Center Fund* which accounts for revenues and expenses related to fostering independence for people with disabilities as a major enterprise fund.

Additionally, the District reports the *District Warehouse Internal Service Fund* (a proprietary fund) which accounts for warehouse services provided to other funds of the District on a cost-reimbursement basis.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide* 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. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when additional data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2013, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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

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" (i.e., current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported as revenue when received. Inventories

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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.

Prepaid Items – 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 expenditures/expenses when consumed rather than when paid.

Capital Assets – Capital assets, which include land, buildings and improvements, furniture and equipment, and transportation equipment are reported in the government-wide financial statements and proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment, and transportation equipment 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 fair 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 the lives of the assets 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, furniture and equipment, and transportation equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements and portable classrooms	20
Kitchen equipment appliances	15
Maintenance and CTE equipment	15
School buses	10
Furniture and office equipment	10
Heavy trucks	7
Audio visual equipment	6
Light trucks	6
Copiers, printers, etc	5
Miscellaneous equipment and accessories	5
Passenger cars and vans	5
Computer equipment and software	3

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. Nine-month full-time employees earn sick leave and personal leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for the current value of accumulated vacation days to a maximum of 40 days, and is reimbursed for unused personal leave days at an appropriate substitute rate. Upon retirement, employees are compensated for accumulated sick leave at 21.5% of the current value. All vacation pay, personal leave pay, and an estimated potential amount for sick leave pay, are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences will be paid by the fund in which the employee worked (typically the *General Fund*).

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported in the applicable statement of net assets. Bond premiums and discounts, as well as

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

refunding costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of unamortized bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources – Beginning with 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of the District's government-wide net position beginning balance (see Note 11).

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, one of which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *revenue for future year*, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2013 for the 2013-2014 school year.

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

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

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to prepaid expenses and inventories are classified as nonspendable.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the unspent tax revenue for specific purposes (capital projects) and amounts in other governmental funds (school food services and state multi-district programs).
- **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.
 - The District's compensated absences liability includes amounts for accrued vacation, sick, and personal leave totaling \$7,077,830. The District has committed \$4,000,000 of its *General Fund* balance for this future obligation.
 - The District has committed \$300,000 of its *General Fund* to cover potential workers compensation claims.
 - The District has committed \$9,521,189 of its other governmental fund resources for schools.
- **Assigned.** This category includes amounts 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 \$5,808,767 for district programs and \$250,000 for schools in its *General Fund*.
- **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.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2013, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 13,433,638
Carrying amount of investments	106,135,291
Total cash and investments	<u>\$ 119,568,929</u>
Governmental funds cash and investments	\$ 114,421,763
Enterprise funds cash and investments	3,989,198
Primary government	118,410,961
Component unit cash and investments	1,157,968
Total cash and investments	<u>\$ 119,568,929</u>

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the 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 actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

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

Deposits – At June 30, 2013, the District and the Foundation have the following deposits with financial institutions:

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

	Carrying Amount	Bank Balance	Amount Insured
Davis School District	\$ 12,289,241	\$ 13,095,593	\$ 250,000
Davis School District Foundation	1,144,397	1,144,397	-
Total deposits	<u>\$ 13,433,638</u>	<u>\$ 14,239,990</u>	<u>\$ 250,000</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, 2013, the uninsured amount of the District’s and Foundation’s pooled bank deposits was uncollateralized.

Investments – The District’s investments are with the PTIF, government agencies, and in corporate bonds. The Foundation invests private funds through a broker.

The PTIF is an external 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 including certificates of deposit and top-rated domestic commercial paper held by the Utah State Treasurer; the portfolio has a weighted average life of 90 days or less. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2013, the District has \$104,298,458 invested in the Utah Public Treasurers’ Investment Fund; the PTIF is not rated. The District has \$982,829 invested in government agencies rated AA+ and Aaa or higher by Standard & Poor’s and Moody’s Investors Service, Inc., respectively. The District also has \$840,433 invested in corporate bonds rated A- and Baa2 or higher by Standard & Poor’s and Moody’s Investors Service, Inc., respectively. The Davis School District Foundation has \$13,571 invested in mutual funds that are unrated.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District and the Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Davis School District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 104,298,458	\$ 104,298,458	\$ -	\$ -	\$ -
Government agencies	982,829	-	982,829	-	-
Corporate bonds	840,433	-	840,433	-	-
Total District	106,121,720	104,298,458	1,823,262	-	-
Davis School District Foundation, a component unit of the District:					
Mutual funds investing in:					
Taxable bonds	3,362	3,362	-	-	-
International stock	10,209	10,209	-	-	-
Total Foundation	13,571	13,571	-	-	-
Total investments	\$ 106,135,291	\$ 104,312,029	\$ 1,823,262	\$ -	\$ -

- **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. The District has no investment policy that would further limit its interest rate risk.
- **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.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

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

3. PROPERTY TAXES

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

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

As of June 30, 2013, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2013 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.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 43,119,312	\$ 831,728	\$ (26,910)	\$ 43,924,130
Construction in progress	45,372,261	20,227,653	(36,790,082)	28,809,832
Total capital assets, not being depreciated	88,491,573	21,059,381	(36,816,992)	72,733,962
Capital assets, being depreciated:				
Buildings and improvements	757,512,680	36,867,675	(540,717)	793,839,638
Furniture and equipment	15,434,149	1,539,528	(500,513)	16,473,164
Transportation equipment	27,510,926	2,149,899	(130,533)	29,530,292
Total capital assets, being depreciated	800,457,755	40,557,102	(1,171,763)	839,843,094
Accumulated depreciation for:				
Buildings and improvements	(280,081,575)	(19,447,864)	540,717	(298,988,722)
Furniture and equipment	(11,588,352)	(1,323,204)	500,513	(12,411,043)
Transportation equipment	(21,609,232)	(1,550,545)	130,533	(23,029,244)
Total accumulated depreciation	(313,279,159)	(22,321,613)	1,171,763	(334,429,009)
Total capital assets, being depreciated, net	487,178,596	18,235,489	-	505,414,085
Governmental activity capital assets, net	<u>\$ 575,670,169</u>	<u>\$ 39,294,870</u>	<u>\$ (36,816,992)</u>	<u>\$ 578,148,047</u>
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,660,322	\$ -	\$ -	\$ 3,660,322
Furniture and equipment	586,388	-	-	586,388
Total capital assets, being depreciated	4,246,710	-	-	4,246,710
Accumulated depreciation for:				
Buildings and improvements	(1,450,139)	(95,128)	-	(1,545,267)
Furniture and equipment	(490,118)	(40,854)	-	(530,972)
Total accumulated depreciation	(1,940,257)	(135,982)	-	(2,076,239)
Business-type activity capital assets, net	<u>\$ 2,306,453</u>	<u>\$ (135,982)</u>	<u>\$ -</u>	<u>\$ 2,170,471</u>

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

For the year ended June 30, 2013, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 17,298,793
Supporting services:	
Students	169,630
Instructional staff	108,021
District administration	30,314
School administration	920,259
Central	495,315
Operation and maintenance of facilities	1,499,746
Student transportation	1,300,742
School food services	340,406
Capital assets held by the District's internal service fund are charged to the various functions based on their usage of the assets	158,387
Total depreciation expense, governmental activities	\$ 22,321,613
 Business-type activities:	
Pioneer Adult Rehabilitation Center	\$ 135,982

The District is obligated at June 30, 2013, under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Elementary #60	\$ 18,072,834	\$ 1,968,114	\$ 16,104,720
Information Services Building	4,122,995	3,916,845	206,150
Central Davis JHS	4,231,418	2,840,281	1,391,137
Bountiful High School	8,558,795	7,603,190	955,605
Administrative Garden Level	450,000	333,009	116,991
Special Education Facility	12,669,882	12,114,993	554,889
Other Projects	44,680	33,400	11,280
	\$ 48,150,604	\$ 28,809,832	\$ 19,340,772

The general obligation school building bonds will be used to finance the costs to complete these projects (See Note 7).

5. RETIREMENT PLANS

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

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

The System is established and governed by the respective sections of Utah Code Title 49. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the System under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The contribution requirements of the System are authorized by state statute and specified by the Utah State Retirement Board. The District's required contribution rates (actuarially determined) to the System for the year ended June 30, 2013 range from 6.65% to 19.27% of covered salaries. Plan members in one of the plans are also required to contribute 1.00% of covered salaries.

For the years ended June 30, 2013, 2012, and 2011, the District contributed \$41,575,474, \$37,339,805, and \$36,308,335, respectively, and employees contributed \$21,467, \$21,608, and \$33,439, respectively, to the System. Contributions were equal to the required contributions for each year.

Defined Contribution Plans – The District participates in a deferred compensation plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the System. During the year ended June 30, 2013, District contributions for participating employees ranged from 1.50% to 10.00% of covered salaries based on the plan within the System.

Employees participating in the System can make additional contributions up to specified limits. For the year ended June 30, 2013, the District contributed \$4,037,112 and employee contributions totaled \$3,415,913. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$393,287 for the year ended June 30, 2013. The assets of the plan are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

In addition to the defined contributions and deferred compensation plans, the District offers its employees two tax-advantaged savings plans authorized by the Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2013 employee contributions totaled \$173,420 and \$11,420 to the Roth IRA and Traditional IRA, respectively. The assets of the plan are administered and held by URS and URS has the authority to amend the plan.

Early Retirement Incentive – The District provides an early retirement incentive program. Eligibility is restricted to those employees with a minimum of ten years of service in the District, and who meet the eligibility requirements for and will be receiving Utah State Retirement System benefits. Eligible retirees will receive a contribution of 16% of their annual salary per year, for up to three consecutive years, into a qualified 401(a) and/or 403(b) plan, or until they become eligible to receive unreduced social security benefits, whichever occurs first. Employees who retire under the incentive program will continue to be enrolled in group medical and dental programs until they become eligible for Medicare, or for 10 consecutive years following retirement, whichever comes first. Enrollment is contingent upon the retiree contributing the same premium as required of active employees for the first 3 years and the full premium for the following 7 years. For the years ended June 30, 2013 and 2012 the District's direct payments to retirees were \$2,695,516 and \$2,797,354 and payments of insurance premiums on behalf of retirees were

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

\$1,362,797 and \$1,113,534, respectively. Future retirement payments of employees who have elected early retirement are recognized on an accrual basis as an expense in the government-wide financial statements in the year of retirement. This liability is paid from the fund from which the employee retires.

6. RISK MANAGEMENT

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

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District is self-insured for worker's compensation claims up to \$250,000 per incident. Worker's compensation claims are processed by a third party administrator. The District has not established a reserve for either claims outstanding or for claims incurred but not reported (IBNR) because management believes the amount to be immaterial to the financial statements. During the year ended June 30, 2013, the District paid claims in the amount of \$542,921. A co-insurance policy provides for individual claims in excess of \$250,000.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 419,690,000	\$ 40,550,000	\$ (51,110,000)	\$ 409,130,000	\$ 26,495,000
Deferred amounts for issuance premium	12,708,920	3,009,566	(1,896,277)	13,822,209	-
Total bonds payable, net	432,398,920	43,559,566	(53,006,277)	422,952,209	26,495,000
Obligations under capital lease	663,206	-	(283,228)	379,978	197,718
Accrued vacation	3,646,050	2,702,610	(2,599,401)	3,749,259	2,672,982
Accrued sick leave	1,934,320	269,040	(263,921)	1,939,439	264,619
Accrued personal leave	1,308,831	658,763	(675,398)	1,292,196	666,814
Early retirement payable	7,661,221	2,503,321	(4,058,313)	6,106,229	3,398,421
Total governmental activity long-term liabilities	<u>\$ 447,612,548</u>	<u>\$ 49,693,300</u>	<u>\$ (60,886,538)</u>	<u>\$ 436,419,310</u>	<u>\$ 33,695,554</u>
Business-type activities:					
Accrued vacation	\$ 75,972	\$ 62,940	\$ (58,695)	\$ 80,217	\$ 32,825
Accrued sick leave	15,166	1,893	(1,522)	15,537	6,358
Accrued personal leave	2,193	538	(1,549)	1,182	484
Total business-type activity long-term liabilities	<u>\$ 93,331</u>	<u>\$ 65,371</u>	<u>\$ (61,766)</u>	<u>\$ 96,936</u>	<u>\$ 39,667</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 other equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2013, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 26,495,000	\$ 18,683,883	\$ 45,178,883
2015	26,975,000	17,485,049	44,460,049
2016	27,995,000	15,463,042	43,458,042
2017	32,380,000	14,241,382	46,621,382
2018	32,270,000	12,895,642	45,165,642
2019-2023	123,210,000	45,434,129	168,644,129
2024-2028	94,355,000	22,759,361	117,114,361
2029-2033	45,450,000	3,922,278	49,372,278
Total	<u>\$ 409,130,000</u>	<u>\$ 150,884,766</u>	<u>\$ 560,014,766</u>

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

General obligation school building bonds payable at June 30, 2013, with their outstanding balances are comprised of the following individual issues:

Bond Series 2003B - GO Bonds - original issue of \$55,000,000 with interest rates ranging from 2.0% to 5.0%	4,225,000
Bond Series 2005A - GO Bonds - original issue of \$52,200,000 with interest rates ranging from 3.0% to 5.0%	7,455,000
Bond Series 2005B - GO Refunding Bonds - original issue of \$24,905,000 with interest rates ranging from 3.25% to 5.0%	12,215,000
Bond Series 2006 - GO Bonds - original issue of \$47,000,000 with interest rates ranging from 4.0% to 5.0%	30,275,000
Bond Series 2007 - GO Bonds - original issue of \$55,000,000 with interest rates ranging from 4.0% to 5.0%	48,325,000
Bond Series 2008 - GO Bonds - original issue of \$64,000,000 with interest rates ranging from 3.0% to 5.0%	51,630,000
Bond Series 2009 - GO Bonds - original issue of \$43,000,000 with interest rates ranging from 2.0% to 5.0%	34,025,000
Bond Series 2010A - GO Bonds (BABs) - original issue of \$68,500,000 with interest rates ranging from 1.0% to 5.75% (up to 35% interest rate subsidy)	65,030,000
Bond Series 2011A - GO Bonds - original issue of \$45,000,000 with interest rates ranging from 4.0% to 4.75%	45,000,000
Bond Series 2011B - GO Refunding Bonds - original issue of \$7,210,000 with interest rates ranging from 3.0% to 4.0%	3,200,000
Bond Series 2011C - GO Refunding Bonds - original issue of \$33,200,000 with interest rates ranging from 4.0% to 5.0%	32,200,000
Bond Series 2012 - GO Bonds - original issue of \$35,000,000 with interest rates ranging from 2.0% to 4.0%	35,000,000
Bond Series 2013A - GO Bonds - original issue of \$20,000,000 with interest rates ranging from 2.0% to 4.0%	20,000,000
Bond Series 2013 - GO Refunding Bonds - original issue of \$20,550,000 with interest rates ranging from 3.0% to 4.25%	20,550,000
	<u>\$ 409,130,000</u>

The general obligation bonded debt of the District is limited by state law to 4.0% of the fair market value of the total taxable property in Davis County. The legal debt limit at June 30, 2013, is \$1,007,919,940 with general obligation debt outstanding, net of issuance premiums, of \$422,952,209, resulting in a legal debt margin of \$584,967,731.

Payments on the general obligation bonds are made by the *Debt Service Fund* and *Capital Projects Fund* from property taxes and earnings on investments. The obligations under capital leases are paid by the *Capital Projects Fund*. Compensated absences, claims payable, and early retirement benefits will be paid by the fund in which the employee worked, including the *General Fund* and other governmental funds.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Bond Issuance – On March 21, 2013, the District issued \$20,000,000 of general obligation school building bonds with a premium of \$512,567. The bonds were issued at an effective interest rate of 2.95% (annual rates range between 2.00% and 4.00%) and will mature on June 1, 2033.

Advance Refundings – On March 21, 2013, the District issued \$20,550,000 of general obligation refunding bonds with a premium of \$2,839,916. The bonds were issued at an effective interest rate of 1.13% (annual rates range between 3.00% and 4.25%) and will mature on April 1, 2020. The District issued the bonds to advance refund \$21,475,000 of outstanding Series 2005A general obligation bonds. The District deposited the net proceeds along with other resources in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2005A bonds. As a result, that portion of the Series 2005A is considered defeased, and the District has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 7 years by \$1,573,821. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,348,910.

Capital Leases – The District has acquired buildings of \$6,819,624 and equipment of \$3,605,599 under capital lease agreements over the past several years. Lease payments for the year ended June 30, 2013, totaled \$283,228.

Future minimum payments under capital lease obligations together with their present values as of June 30, 2013, are summarized as follows:

Year Ending June 30,	
2014	\$ 214,275
2015	97,271
2016	<u>97,271</u>
Total minimum lease payments	408,817
Amount representing interest	<u>(28,839)</u>
Present value of minimum lease payments	<u><u>\$ 379,978</u></u>

8. INTERFUND BALANCES

The composition of interfund balances as of June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 6,172,696
General	Internal Service - District Warehouse	5,528,765
General	State Multi-District Program	<u>26,911</u>
		<u><u>\$ 11,728,372</u></u>

The amounts payable to the *General Fund* are related to working capital advances made to the *District Warehouse Internal Service Fund*, the *State Multi-District Program Fund* and the *Debt Service Fund*.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

9. LITIGATION AND LEGAL COMPLIANCE

There are lawsuits pending in which the District is involved. The District's legal counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not significantly affect the financial statements of the District.

All funds balances are positive at June 30, 2013. Expenditures in the *Debt Service Fund* exceeded budgeted amounts by \$481,953 for the year ended June 30, 2013.

10. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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

The beginning net position in the government-wide statement of net position for governmental activities has been restated to reflect the effects of implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* (see Note 1) as follows:

	Government-wide Financial Statements <hr style="border-top: 1px solid black;"/>
	Governmental Activities <hr style="border-top: 1px solid black;"/>
Net position, as originally stated - June 30, 2012	\$ 211,808,475
Restate bond issuance costs as expense when occurred per GASB Statement Nos. 63 and 65	<hr style="border-top: 1px solid black;"/> (2,369,335)
Net position, as restated - June 30, 2012	<hr style="border-top: 1px solid black;"/> \$ 209,439,140 <hr style="border-top: 1px solid black;"/>

Individual Fund Statements and Schedules

General Fund – The General Fund is used to account for all financial resources applicable to the general operations of the District which are not required to be accounted for in another fund. Utah law defines the General Fund as the Maintenance and Operations Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources. Financing is provided by an annual property tax levy for general obligation debt as authorized by Utah Code 11-14-19.

Capital Projects Fund – The Capital Projects Fund is used to account for the resources used in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment for the education programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .003. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

State Multi-District Program Fund – The State Multi-District Program Fund is used to account for resources provided by the state for operation of state-wide or regional public education programs.

School Food Services Fund – The School Food Services Fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low cost, nutritionally balanced meals.

Student Activities Fund – The Student Activities Fund is used to account for revenues and expenditures from school-based operations. The revenues comprise of interest earnings, gate receipts, fundraisers, and student fees. Expenditures support curricular and extra-curricular activities.

DAVIS SCHOOL DISTRICT

Comparative Balance Sheets *General Fund*

June 30, 2013 and 2012

	2013	2012
Assets:		
Cash and investments	\$ 55,524,379	\$ 57,293,440
Receivables:		
Property taxes	79,752,339	77,963,761
Other local	276,320	58,547
State of Utah	267,716	463,385
Federal government	3,901,786	7,897,070
Due from other funds	11,728,372	5,300,354
Prepaid expenditures	169,203	-
Inventories	1,298,455	1,563,781
Total assets	\$ 152,918,570	\$ 150,540,338
Liabilities:		
Accounts payable	\$ 1,503,469	\$ 958,224
Notes payable		-
Accrued salaries and benefits	45,060,570	43,884,251
Unearned revenue:		
State of Utah	3,757,535	2,761,585
Federal government	-	32,648
Due to other funds	-	4,638,104
Total liabilities	50,321,574	52,274,812
Deferred Inflows of Resources:		
Unavailable property tax revenue	2,152,376	2,192,286
Property taxes levied for future year	74,069,901	73,737,782
Total deferred inflows of resources	76,222,277	75,930,068
Fund Balances:		
Nonspendable:		
Inventories and prepaids	1,467,658	1,563,781
Committed to:		
Workers compensation	300,000	300,000
Termination benefits	4,000,000	4,000,000
Assigned to:		
Programs	5,808,767	3,582,418
Schools	250,000	250,000
Unassigned	14,548,294	12,639,259
Total fund balances	26,374,719	22,335,458
Total liabilities, deferred inflows of resources, and fund balances	\$ 152,918,570	\$ 150,540,338

DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 86,736,300	\$ 87,430,998	\$ 694,698	\$ 79,639,044
Earnings on investments	425,000	331,169	(93,831)	1,040,599
Other local sources	8,787,400	9,342,907	555,507	10,434,724
State of Utah	272,710,851	271,423,455	(1,287,396)	269,878,986
Federal government	30,857,445	33,277,243	2,419,798	32,670,480
Total revenues	<u>399,516,996</u>	<u>401,805,772</u>	<u>2,288,776</u>	<u>393,663,833</u>
Expenditures:				
Current:				
Instruction	274,651,896	274,541,223	110,673	267,146,874
Supporting services:				
Students	14,926,400	14,738,515	187,885	14,514,691
Instructional staff	17,110,100	16,995,074	115,026	16,651,193
District administration	2,507,600	2,583,855	(76,255)	2,550,252
School administration	25,489,100	25,380,335	108,765	24,860,824
Central	12,324,500	12,284,036	40,464	11,754,227
Operation and maintenance of facilities	40,176,400	40,108,854	67,546	39,348,007
Student transportation	11,331,000	11,134,619	196,381	11,823,524
Debt service-interest on tax anticipation notes	-	-	-	622,548
Total expenditures	<u>398,516,996</u>	<u>397,766,511</u>	<u>750,485</u>	<u>389,272,140</u>
Excess of revenues over expenditures / net change in fund balances	1,000,000	4,039,261	3,039,261	4,391,693
Fund balances - beginning	<u>22,335,458</u>	<u>22,335,458</u>	-	17,943,765
Fund balances - ending	<u>\$ 23,335,458</u>	<u>\$ 26,374,719</u>	<u>\$ 3,039,261</u>	<u>\$ 22,335,458</u>

DAVIS SCHOOL DISTRICT

Comparative Balance Sheets
Debt Service Fund

June 30, 2013 and 2012

	2013	2012
Assets:		
Cash and investments	\$ 4,439,747	\$ -
Receivables - property taxes	39,938,712	38,064,220
Total assets	\$ 44,378,459	\$ 38,064,220
 Liabilities:		
Due to other funds	\$ 6,172,696	\$ 662,250
 Deferred Inflows of Resources:		
Unavailable property tax revenue	1,040,763	1,345,838
Property taxes levied for future year	37,165,000	35,655,414
Total deferred inflows of resources	38,205,763	37,001,252
 Fund Balances:		
Restricted for:		
Debt service	-	400,718
Total fund balances	-	400,718
Total liabilities, deferred inflows of resources, and fund balances	\$ 44,378,459	\$ 38,064,220

DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2013
With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 41,940,800	\$ 42,276,678	\$ 335,878	\$ 40,580,369
Federal interest subsidy	1,067,353	1,067,353	-	-
Total revenues	43,008,153	43,344,031	335,878	40,580,369
Expenditures:				
Debt service:				
Bond principal	18,668,480	29,635,000	(10,966,520)	28,935,000
Bond interest	24,710,391	14,104,949	10,605,442	17,774,694
Bond issuance costs	-	146,075	(146,075)	-
Fees and miscellaneous charges	30,000	4,800	25,200	15,350
Total expenditures	43,408,871	43,890,824	(481,953)	46,725,044
Excess (deficiency) of revenues over (under) expenditures	(400,718)	(546,793)	(146,075)	(6,144,675)
Other financing sources (uses):				
Refunding bonds issued	-	20,550,000	(20,550,000)	-
Refunding bonds premium	-	2,839,916	(2,839,916)	-
Refunded bonds escrow payment	-	(23,243,841)	23,243,841	-
Total other financing sources (uses)	-	146,075	146,075	-
Net change in fund balances	(400,718)	(400,718)	-	(6,144,675)
Fund balances - beginning	400,718	400,718	-	6,545,393
Fund balances - ending	\$ -	\$ -	\$ -	\$ 400,718

DAVIS SCHOOL DISTRICT

Comparative Balance Sheets

Capital Projects Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and investments	\$ 44,050,715	\$ 60,209,414
Receivables:		
Property taxes	15,844,818	16,270,535
Other local	15,775	13,375
Due from General Fund	-	232,067
Total assets	<u>\$ 59,911,308</u>	<u>\$ 76,725,391</u>
Liabilities:		
Accounts payable	<u>\$ 3,971,579</u>	<u>\$ 11,708,106</u>
Deferred Inflows of Resources:		
Unavailable property tax revenue	426,265	324,027
Property taxes levied for future year	<u>14,655,000</u>	<u>15,379,630</u>
Total deferred inflows of resources	<u>15,081,265</u>	<u>15,703,657</u>
Fund Balances:		
Restricted for:		
Capital projects	<u>40,858,464</u>	<u>49,313,628</u>
Total fund balances	<u>40,858,464</u>	<u>49,313,628</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,911,308</u>	<u>\$ 76,725,391</u>

DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2013

With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 17,177,600	\$ 16,239,781	\$ (937,819)	\$ 18,804,702
Earnings on investments	300,000	243,310	(56,690)	344,354
Other local	658,500	660,121	1,621	155,668
State of Utah	(815,479)	259,925	1,075,404	140,571
Total revenues	17,320,621	17,403,137	82,516	19,445,295
Expenditures:				
Capital outlay:				
Buildings and improvements	54,246,879	35,237,225	19,009,654	50,637,235
Equipment	6,054,575	3,963,859	2,090,716	7,396,272
Other	2,295,700	2,198,624	97,076	190,744
Debt service:				
Bond issuance costs	-	219,988	(219,988)	221,980
Debt service payments	4,924,609	4,439,747	484,862	-
Capital lease payments	311,425	311,425	-	647,310
Total expenditures	67,833,188	46,370,868	21,462,320	59,093,541
Excess (deficiency) of revenues over (under) expenditures	(50,512,567)	(28,967,731)	21,544,836	(39,648,246)
Other Financing Sources (Uses):				
General obligation bonds issued	20,000,000	20,000,000	-	35,000,000
General obligation bonds premium	512,567	512,567	-	2,543,576
Proceeds from sale of capital assets	-	-	-	21,878
Total other financing sources (uses)	20,512,567	20,512,567	-	37,565,454
Net change in fund balances	(30,000,000)	(8,455,164)	21,544,836	(2,082,792)
Fund balances - beginning	49,313,628	49,313,628	-	51,396,420
Fund balances - ending	\$ 19,313,628	\$ 40,858,464	\$ 21,544,836	\$ 49,313,628

DAVIS SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2013

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	School Food Services	Student Activities Fund	State Multi-District Program Fund	
Assets:				
Cash and investments	\$ 807,176	\$ 9,597,892	\$ 1,854	\$ 10,406,922
Receivables:				
Other local	20	-	-	20
State of Utah	1,617,085	-	-	1,617,085
Federal government	343,748	-	73,006	416,754
Inventories	1,587,032	-	-	1,587,032
Total assets	<u>\$ 4,355,061</u>	<u>\$ 9,597,892</u>	<u>\$ 74,860</u>	<u>\$ 14,027,813</u>
Liabilities:				
Accounts payable	\$ 140,185	\$ 53,383	\$ -	\$ 193,568
Due to other funds	-	-	26,911	26,911
Unearned revenue - other local	-	23,320	-	23,320
Total liabilities	<u>140,185</u>	<u>76,703</u>	<u>26,911</u>	<u>243,799</u>
Fund Balances:				
Nonspendable:				
Inventories	1,587,032	-	-	1,587,032
Restricted for:				
School food services	2,627,844	-	-	2,627,844
State multi-district program	-	-	47,949	47,949
Committed to:				
Schools	-	9,521,189	-	9,521,189
Total fund balances	<u>4,214,876</u>	<u>9,521,189</u>	<u>47,949</u>	<u>13,784,014</u>
Total liabilities and fund balances	<u>\$ 4,355,061</u>	<u>\$ 9,597,892</u>	<u>\$ 74,860</u>	<u>\$ 14,027,813</u>

DAVIS SCHOOL DISTRICT

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds**

Year Ended June 30, 2013

	Special Revenue			Total Nonmajor Governmental Funds
	School Food Services	Student Activities Fund	State Multi-District Program Fund	
Revenues:				
Local sources:				
Earnings on investments	\$ -	\$ 140,000	\$ -	\$ 140,000
School lunch sales	7,222,390	-	-	7,222,390
Student fees	-	12,094,695	-	12,094,695
Other local revenue	707,335	2,400,491	5,454	3,113,280
State of Utah	3,666,210	-	-	3,666,210
Federal government	11,420,123	-	244,672	11,664,795
Total revenues	23,016,058	14,635,186	250,126	37,901,370
Expenditures:				
Current:				
Food	11,236,146	-	-	11,236,146
Salaries and benefits	7,971,860	1,017,411	2,762	8,992,033
Indirect charges	1,965,304	-	-	1,965,304
Purchased services	-	1,490,493	1,619,630	3,110,123
Supplies and equipment	-	12,235,017	53,509	12,288,526
Other	1,775,421	-	-	1,775,421
Total expenditures	22,948,731	14,742,921	1,675,901	39,367,553
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	67,327	(107,735)	(1,425,775)	(1,466,183)
Fund balances - beginning	4,147,549	9,628,924	1,473,724	15,250,197
Fund balances - ending	\$ 4,214,876	\$ 9,521,189	\$ 47,949	\$ 13,784,014

DAVIS SCHOOL DISTRICT

Comparative Balance Sheets
School Food Services Fund
Nonmajor Special Revenue Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and investments	\$ 807,176	\$ 631,636
Receivables:		
Other local	20	6,821
State of Utah	1,617,085	1,333,898
Federal government	343,748	235,706
Inventories	1,587,032	2,080,190
Total assets	<u>\$ 4,355,061</u>	<u>\$ 4,288,251</u>
Liabilities:		
Accounts payable	\$ 140,185	\$ 140,702
Fund Balances:		
Nonspendable:		
Inventories	1,587,032	2,080,190
Restricted for:		
School food services	2,627,844	2,067,359
Total fund balances	<u>4,214,876</u>	<u>4,147,549</u>
Total liabilities and fund balances	<u>\$ 4,355,061</u>	<u>\$ 4,288,251</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Food Services Fund
Nonmajor Special Revenue Fund
 Year Ended June 30, 2013
 With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
School lunch sales	\$ 7,547,800	\$ 7,222,390	\$ (325,410)	\$ 7,969,119
Other local	729,400	707,335	(22,065)	474,109
State of Utah subsidies	3,415,700	3,666,210	250,510	3,553,525
Federal sources:				
Federal government subsidies	10,068,600	10,026,180	(42,420)	9,795,681
Contributed food commodities	1,737,200	1,393,943	(343,257)	1,678,367
Total revenues	<u>23,498,700</u>	<u>23,016,058</u>	<u>(482,642)</u>	<u>23,470,801</u>
Expenditures:				
Current:				
Food	9,616,600	11,236,146	(1,619,546)	10,679,647
Salaries and benefits	7,887,100	7,971,860	(84,760)	7,953,739
Indirect charges	1,857,500	1,965,304	(107,804)	2,593,983
Other	4,137,500	1,775,421	2,362,079	2,041,473
Total expenditures	<u>23,498,700</u>	<u>22,948,731</u>	<u>549,969</u>	<u>23,268,842</u>
Excess of revenues over expenditures / net change in fund balances	-	67,327	67,327	201,959
Fund balances - beginning	<u>4,147,549</u>	<u>4,147,549</u>	-	<u>3,945,590</u>
Fund balances - ending	<u>\$ 4,147,549</u>	<u>\$ 4,214,876</u>	<u>\$ 67,327</u>	<u>\$ 4,147,549</u>

DAVIS SCHOOL DISTRICT

Comparative Balance Sheets
Student Activities Fund
Nonmajor Special Revenue Fund
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and investments	\$ 9,597,892	\$ 9,701,255
	<u> </u>	<u> </u>
Liabilities:		
Accounts payable	\$ 53,383	\$ 44,906
Unearned revenue - other local	23,320	27,425
	<u> </u>	<u> </u>
Total liabilities	76,703	72,331
	<u> </u>	<u> </u>
Fund Balances:		
Committed to:		
Schools	9,521,189	9,628,924
	<u> </u>	<u> </u>
Total fund balances	9,521,189	9,628,924
	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 9,597,892	\$ 9,701,255
	<u> </u>	<u> </u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activities Fund
Nonmajor Special Revenue Fund
 Year Ended June 30, 2013
 With Comparative Totals for 2012

	2013			2012
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Earnings on investments	\$ 150,900	\$ 140,000	\$ (10,900)	\$ 138,979
Student fees	11,990,500	12,094,695	104,195	11,324,756
Other local revenue	2,782,100	2,400,491	(381,609)	2,535,887
Total revenues	<u>14,923,500</u>	<u>14,635,186</u>	<u>(288,314)</u>	<u>13,999,622</u>
Expenditures:				
Current:				
Salaries and benefits	1,227,500	1,017,411	210,089	1,152,725
Purchased services	1,573,400	1,490,493	82,907	905,195
Supplies and equipment	12,122,600	12,235,017	(112,417)	11,256,949
Total expenditures	<u>14,923,500</u>	<u>14,742,921</u>	<u>180,579</u>	<u>13,314,869</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	(107,735)	(107,735)	684,753
Fund balances - beginning	<u>9,628,924</u>	<u>9,628,924</u>	-	<u>8,944,171</u>
Fund balances - ending	<u>\$ 9,628,924</u>	<u>\$ 9,521,189</u>	<u>\$ (107,735)</u>	<u>\$ 9,628,924</u>

DAVIS SCHOOL DISTRICT

Comparative Balance Sheet
State Multi-District Program Fund
Nonmajor Special Revenue Fund

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and investments	\$ 1,854	\$ -
Receivables - federal government	73,006	63,214
Due from other funds	-	1,410,510
Total assets	<u>\$ 74,860</u>	<u>\$ 1,473,724</u>
Liabilities:		
Due to other funds	<u>\$ 26,911</u>	<u>\$ -</u>
Fund Balances:		
Restricted for:		
State multi-district program	47,949	1,473,724
Total fund balances	<u>47,949</u>	<u>1,473,724</u>
Total liabilities and fund balances	<u>\$ 74,860</u>	<u>\$ 1,473,724</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Multi-District Program Fund
Nonmajor Special Revenue Fund

Year Ended June 30, 2013
 With Comparative Totals for 2012

	<u>2013</u>			<u>2012</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local revenue	\$ 4,900	\$ 5,454	\$ 554	\$ 19,313
State of Utah	-	-	-	2,123,616
Federal government	200,000	244,672	44,672	103,829
Total revenues	<u>204,900</u>	<u>250,126</u>	<u>45,226</u>	<u>2,246,758</u>
Expenditures:				
Current:				
Salaries and benefits	3,000	2,762	238	2,917
Purchased services	1,619,124	1,619,630	(506)	1,982,714
Supplies and equipment	56,500	53,509	2,991	53,717
Total expenditures	<u>1,678,624</u>	<u>1,675,901</u>	<u>2,723</u>	<u>2,039,348</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(1,473,724)	(1,425,775)	47,949	207,410
Fund balances - beginning	<u>1,473,724</u>	<u>1,473,724</u>	-	<u>1,266,314</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 47,949</u></u>	<u><u>\$ 47,949</u></u>	<u><u>\$ 1,473,724</u></u>