



## 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, each major fund, and the aggregate remaining fund information of Davis School District (the District) as of and for the year ended June 30, 2017, 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, each major fund, and the aggregate remaining fund information of Davis School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 11 to the financial statements, in 2017, the District adopted Government Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. The new standard requires the District to present the Davis School District Foundation as a blended component unit. Beginning net position and fund balance has been restated to reflect the change. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 10, 2017 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Squire & Company, PC*

Orem, Utah  
November 10, 2017

## 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, 2017. Please read it in conjunction with the transmittal letter found on pages 11 through 14 of this report and the District's financial statements, which follow this section.

### Financial Highlights

- The District's total net position was \$145.2 million at the close of the most recent fiscal year, most of which is invested in capital assets.
- The District is dependent on revenues generated by property taxes. Property tax revenues increased by 5.1% in 2017 to \$175.7 million as a result of an increase in the taxable value of property.
- During the year, expenses were \$24.5 million less than the \$604.2 million generated in taxes and other revenues for governmental activities.
- The District continued providing for its student growth by issuing \$80.0 million of new bonds. The \$80.0 million was issued from the new authorization passed by voters in November 2015 in the amount of \$298.0 million. New elementary schools in West Farmington (estimated cost of \$21.6 million) and West Kaysville (cost of \$19.1 million) were completed for the 2016-2017 school year. Four major projects of the 2015 bond began, a new high school in Farmington (estimated cost of \$80.0 million), a new junior high school in Layton (estimated cost of \$41.7 million), a major remodel of Viewmont High School (estimated cost of \$20.5 million) and a classroom addition at Mueller Park Junior High (estimated cost of \$10.4 million). An addition and remodel at Woods Cross High School (estimated cost of \$25.2 million) also continued. All of these projects with the exception of the junior high in Layton (summer 2019) are projected to be completed by summer of 2018.
- As directed by the District's School Board, the District has increased its fund balance commitment to economic stabilization in the *General Fund*. At June 30, 2017, the District has committed \$23.0 million of the *General Fund* fund balance to economic stabilization. At June 30, 2017, the District has \$15.9 million of unassigned fund balance in the *General Fund*.

### 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 36 to 37 of this report.

The government-wide financial statements of the District are divided into two 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.

**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 seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *General Fund*, the *Debt Service Fund*, and the *Capital Projects Fund*, each of which are considered to be major funds. Data from the other four governmental funds (*School Food Services Fund*, *Student Activities Fund*, *District Foundation Fund* and *Pass-Through Taxes Fund*) 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 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 38 to 42 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, which 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 43 to 45 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 46 to 69 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 70 to 71 of this report.

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 73 to 86 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$145.2 million at the close of the most recent fiscal year.

#### DAVIS SCHOOL DISTRICT'S Net Position June 30, 2017 and 2016 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
Current and other assets	\$ 438.4	\$ 392.9	\$ 5.7	\$ 7.3	\$ 444.1	\$ 400.2	\$ 43.9
Capital assets	660.7	611.9	1.9	1.9	662.6	613.8	48.8
Total assets	1,099.1	1,004.8	7.6	9.2	1,106.7	1,014.0	92.7
Deferred outflows of resources	109.2	96.8	0.5	0.5	109.7	97.3	12.4
Current and other liabilities	92.4	81.4	0.1	0.1	92.5	81.5	11.0
Long-term liabilities outstanding	785.9	726.5	1.3	1.3	787.2	727.8	59.4
Total liabilities	878.3	807.9	1.4	1.4	879.7	809.3	70.4
Deferred inflows of resources	191.3	179.5	0.2	0.1	191.5	179.6	11.9
Net position:							
Net investment in capital assets	186.6	185.0	1.9	1.9	188.5	186.9	1.6
Restricted	62.0	53.1	-	-	62.0	53.1	8.9
Unrestricted	(109.9)	(123.9)	4.6	6.3	(105.3)	(117.6)	12.3
Total net position	\$ 138.7	\$ 114.2	\$ 6.5	\$ 8.2	\$ 145.2	\$ 122.4	\$ 22.8

The largest portion of the District's net position (\$188.5 million) reflects its investment in capital assets less any related outstanding debt 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 (\$62.0 million) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for school food services, debt service, and capital projects.

- The remaining net position (a deficit of \$105.3 million) is unrestricted. This balance includes the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by the Utah Retirement Systems. The existence of an unrestricted net position deficit indicates the District's overall economic net position, but it does not necessarily reflect positively or negatively on the District's ability to meet its obligations as they come due.
- Unrestricted net position increased by \$12.3 million during the current year. This net increase reflects an increase in resources available in the District's funds.
- Restricted net position increased by \$8.9 million during the current year. This increase resulted primarily from an increase in unspent property tax revenues restricted for debt service and capital outlay.
- The District's total revenues increased 6.2% to \$612.6 million. Federal and state aid makes up 63.7% of the District's revenues; property taxes generate 28.7% of the District's revenues.
- The total cost of all programs and services increased by 7.7% to \$589.8 million. Instruction and support services make up 65.8% and 25.7%, respectively, of the District's expenses.

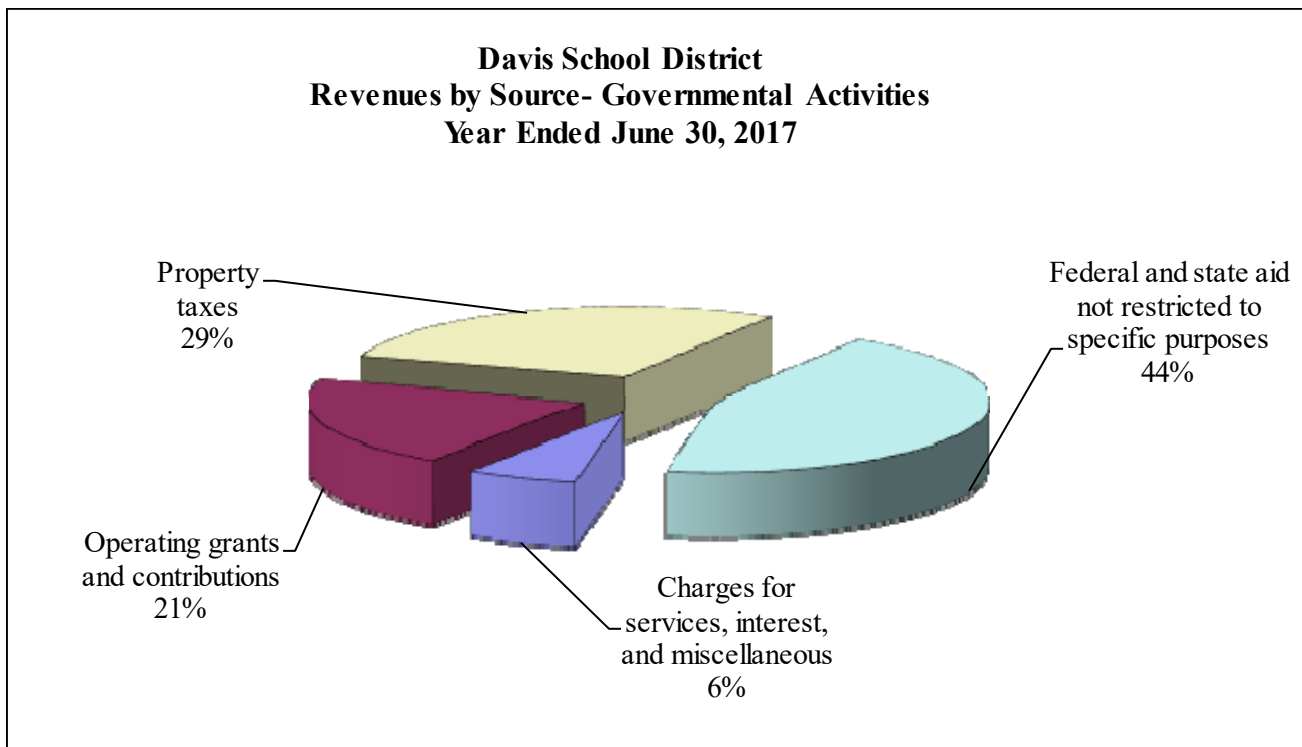
**DAVIS SCHOOL DISTRICT'S Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 14.8	\$ 15.3	\$ 7.5	\$ 10.0	\$ 22.3	\$ 25.3	\$ (3.0)
Operating grants and contributions	123.8	118.0	0.9	0.7	124.7	118.7	6.0
General revenues:							
Property taxes	175.7	167.2	-	-	175.7	167.2	8.5
Federal and state aid not restricted to specific purposes	265.5	246.3	-	-	265.5	246.3	19.2
Interest	2.3	1.3	-	-	2.3	1.3	1.0
Miscellaneous	22.1	17.9	-	-	22.1	17.9	4.2
Total revenues	<u>604.2</u>	<u>566.0</u>	<u>8.4</u>	<u>10.7</u>	<u>612.6</u>	<u>576.7</u>	<u>35.9</u>
<b>Expenses:</b>							
Instruction	388.0	360.3	-	-	388.0	360.3	27.7
Support services:							
Student	16.3	15.4	-	-	16.3	15.4	0.9
Instructional staff	21.1	19.9	-	-	21.1	19.9	1.2
District administration	2.8	3.0	-	-	2.8	3.0	(0.2)
School administration	35.8	28.9	-	-	35.8	28.9	6.9
Business administration	16.0	14.6	-	-	16.0	14.6	1.4
Operation and maintenance of facilities	45.1	44.3	-	-	45.1	44.3	0.8
Student transportation	14.6	14.1	-	-	14.6	14.1	0.5
School food service	23.9	22.1	-	-	23.9	22.1	1.8
Interest on long-term liabilities	16.1	14.2	-	-	16.1	14.2	1.9
Pioneer Adult Rehab Center	-	-	10.1	11.1	10.1	11.1	(1.0)
Total expenses	<u>579.7</u>	<u>536.8</u>	<u>10.1</u>	<u>11.1</u>	<u>589.8</u>	<u>547.9</u>	<u>41.9</u>
Changes in net position	24.5	29.2	(1.7)	(0.4)	22.8	28.8	(6.0)
Net position, beginning	112.8	83.6	8.2	8.6	121.0	92.2	28.8
Net effect of prior period restatement	1.4	-	-	-	1.4	-	1.4
Net position, ending	<u>\$ 138.7</u>	<u>\$ 112.8</u>	<u>\$ 6.5</u>	<u>\$ 8.2</u>	<u>\$ 145.2</u>	<u>\$ 121.0</u>	<u>\$ 24.2</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, 2017 are as follows:

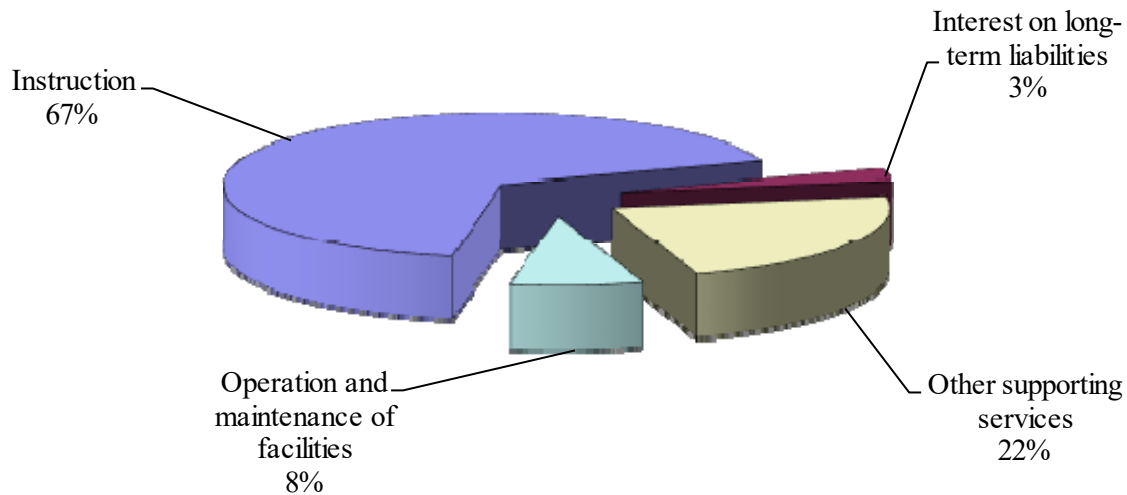
- Revenues increased \$38.2 million or 6.7% and continue to be primarily from federal and state aid and property taxes.
- Federal and state aid not restricted to specific purposes increased by 7.8% or \$19.2 million. Total federal aid increased 3.9% to \$46.1 million primarily due to spending levels. 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 3% from \$3,092 (2016) to \$3,184 (2017).
- Tax revenues increased to \$175.7 million or by 5.1%. This increase was a result of the combination of an increase in the taxable value of property and a decrease in the overall tax rate.



- Expenses for governmental activities increased \$42.9 million or by 8.0%. This increase was primarily the result of increased personnel expenditures for instruction as a result of the State WPU funding increase and capital spending for new schools.



**Davis School District  
Expenses by Function - Governmental Activities  
Year Ended June 30, 2017**



**Business-type activities.** The \$1.7 million decrease in the District's net position for the year ended June 30, 2017 was a result of the operations of the Pioneer Adult Rehabilitation Center.

- Overall revenues decreased \$2.3 million and expenses decreased \$1.0 million due to decreased contract agreements.

### 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 \$178.2 million, \$28.3 million more than the previous year. This increase was due primarily to increased revenue from the State of Utah and issuing of \$80.0 million general of obligation bonds offset by costs related to planned capital projects. The *Debt Service Fund* and the *General Fund* had a \$0.5 million decrease and a \$15.0 million increase in fund balance, respectively. In addition, the following changes in revenues and expenditures should be noted:

- Revenues for *General Fund* totaled \$475.5 million, an increase of 6.5%, during the current fiscal year. This increase is primarily due to increased revenues from the State of Utah. State revenues were up 7.1% from the prior year in the *General Fund* due to increases in state appropriations for enrollment growth. Revenues for debt service and capital projects were up 3.6% and 8.1%, respectively. These increases were primarily a result of an increase in the taxable value of property.
- Expenditures for *General Fund* totaled \$460.5 million, an increase of 4.8% during the current fiscal year. Instruction represents 68.4% of *General Fund* expenditures. Capital project expenditures were up 26.4% due to the construction of a new high school in West Farmington and remodels of Viewmont and Woods Cross High Schools.

- *General Fund* salaries totaled \$276.9 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$136.2 million to arrive at 89.7% 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 nonspendable, restricted, and unrestricted portions. Nonspendable fund balance represents items such as inventories which are not resources that can be readily converted to cash. Restricted fund balance 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 on 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, 2017, the District's combined governmental fund balance is \$178.2 million (\$7.2 million in nonspendable, \$104.6 million in restricted, \$39.0 million in committed, \$13.2 million in assigned, and \$15.9 million in unassigned fund balances).

### **General Fund Budgetary Highlights**

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$0.9 million or 0.2% in total *General Fund* expenditures.

During the year, final budgeted revenues were more than original budgetary estimates by \$6.1 million or 1.3%. The increase primarily reflects higher equalization funding and slightly higher than anticipated enrollment growth.

In addition to these adjustments, the District maintained cost cutting measures to hold expenditures below the amended budget in order to build reserves for unanticipated future costs. Consequently, actual expenditures were \$5.7 million below final budgeted amounts. Additionally, revenues were \$2.3 million above final budgeted amounts. The final budget also anticipated an increase to fund balance of \$7.0 million where the original budget did not have a planned increase to fund balance.

### **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 \$74.4 million for capital assets. Major projects include the construction of a new high school in Farmington and major remodels of Woods Cross and Viewmont High Schools.

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 10th high school is under construction and will open in the fall of 2018. Other major projects under construction include classroom additions at Woods Cross High School and Mueller Park Junior High School. The District has also began construction on a junior high school that will open in the fall of 2019.

Capital assets at June 30, 2017 and 2016 are outlined below:

**DAVIS SCHOOL DISTRICT'S Capital Assets**  
**June 30, 2017 and 2016**  
(net of accumulated depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
Land	\$ 56.4	\$ 55.0	\$ -	\$ -	\$ 56.4	\$ 55.0	\$ 1.4
Construction in progress	79.5	50.6	-	-	79.5	50.6	28.9
Buildings and improvements	513.3	495.1	1.8	1.8	515.1	496.9	18.2
Furniture and equipment	3.6	3.8	0.1	0.1	3.7	3.9	(0.2)
Transportation equipment	8.0	7.4	-	-	8.0	7.4	0.6
Total capital assets	<u>\$ 660.8</u>	<u>\$ 611.9</u>	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ 662.7</u>	<u>\$ 613.8</u>	<u>\$ 48.9</u>

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

**Debt Administration.** On November 3, 2015, the registered voters of Davis County passed a bond authorization in the amount of \$298.0 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 with 61.6% in favor.

On April 5, 2017 the District issued \$80.0 million of this authorization for high school #10 in Farmington and to continue remodels of Viewmont and Woods Cross High School. The District also began a classroom addition at Mueller Park Junior High School and began construction on junior high #17.

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, 2017 is \$1,317.0 million. General obligation debt, net of unamortized premiums, at June 30, 2017 is \$523.7 million, resulting in a legal debt margin of \$793.0 million.

**DAVIS SCHOOL DISTRICT'S Outstanding Debt**  
**June 30, 2017 and 2016**  
**Net of Accumulated Amortization**  
(in millions of dollars)

	Governmental activities		Total Change
	2017	2016	2017-2016
Net general obligation bonds	<u>\$ 523.7</u>	<u>\$ 475.7</u>	<u>\$ 48.0</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 2037.

Additional information on the District's long-term debt can be found in Note 8 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 2017 count. The District anticipated growth of approximately 1,000 students for the 2017-18 school year; however, actual growth was 887 students. Growth continues to be focused in the northwest section of the District. The chart below reflects the counts taken between October 1, 2013 and October 1, 2017 and shows total student growth of 3,943 students over the five-year period, a 5.8% increase.

### DAVIS SCHOOL DISTRICT'S Student Enrollment

District fiscal year	2014	2015	2016	2017	2018	Total
October 1st enrollment	68,571	69,139	69,879	71,021	71,908	
Total enrollment change	606	568	740	1,142	887	3,943
Percentage change	0.9%	0.8%	1.1%	1.6%	1.2%	5.8%

The District has ongoing planning efforts to analyze and accommodate the issues related to new growth. A bond authorization approved by voters on November 3, 2015 for \$298.0 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 (5 years) as well as the long-term (20+ years) planning horizons.

## 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.

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# DAVIS SCHOOL DISTRICT

## Statement of Net Position

June 30, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 253,571,751	\$ 4,957,995	\$ 258,529,746
Receivables:			
Property taxes	164,157,698	-	164,157,698
Other local	472,526	685,631	1,158,157
State of Utah	4,112,484	-	4,112,484
Federal government	8,896,103	-	8,896,103
Inventories	7,160,185	65,283	7,225,468
Capital assets:			
Land and construction in progress	135,850,544	-	135,850,544
Other capital assets, net of accumulated depreciation	524,902,861	1,906,524	526,809,385
Total assets	<u>1,099,124,152</u>	<u>7,615,433</u>	<u>1,106,739,585</u>
<b>Deferred outflows of resources:</b>			
Deferred charge on refunding	7,594,893	-	7,594,893
Related to pensions	101,596,980	527,397	102,124,377
Total deferred outflows of resources	<u>109,191,873</u>	<u>527,397</u>	<u>109,719,270</u>
<b>Liabilities:</b>			
Accounts payable	40,033,377	77,854	40,111,231
Accrued interest	1,389,292	-	1,389,292
Accrued salaries and benefits	44,373,102	-	44,373,102
Unearned revenue:			
Other local	30,693	-	30,693
State of Utah	6,546,532	-	6,546,532
Noncurrent liabilities:			
Due or payable within one year	43,920,812	35,998	43,956,810
Due or payable after one year	742,004,527	1,318,212	743,322,739
Total liabilities	<u>878,298,335</u>	<u>1,432,064</u>	<u>879,730,399</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for future year	160,188,542	-	160,188,542
Related to pensions	31,145,768	161,680	31,307,448
Total deferred inflows of resources	<u>191,334,310</u>	<u>161,680</u>	<u>191,495,990</u>
<b>Net position:</b>			
Net investment in capital assets	186,641,372	1,906,524	188,547,896
Restricted for:			
Debt service	3,008,715	-	3,008,715
Capital projects	48,626,267	-	48,626,267
School food services	10,292,237	-	10,292,237
Unrestricted	(109,885,211)	4,642,562	(105,242,649)
Total net position	<u>\$ 138,683,380</u>	<u>\$ 6,549,086</u>	<u>\$ 145,232,466</u>

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

**DAVIS SCHOOL DISTRICT**

**Statement of Activities**  
Year Ended June 30, 2017

Activities/Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Instruction	\$ 387,581,767	\$ 5,896,445	\$ 86,116,113	\$ (295,569,209)		\$ (295,569,209)
Supporting services:						
Students	16,319,254	-	4,490,338	(11,828,916)		(11,828,916)
Instructional staff	21,131,799	-	4,744,227	(16,387,572)		(16,387,572)
District administration	3,217,787	-	43,723	(3,174,064)		(3,174,064)
School administration	35,805,440	-	1,205,835	(34,599,605)		(34,599,605)
Central	15,994,616	-	1,907,710	(14,086,906)		(14,086,906)
Operation and maintenance of facilities	45,090,934	354,790	197,137	(44,539,007)		(44,539,007)
Student transportation	14,623,262	-	8,093,619	(6,529,643)		(6,529,643)
School food service	23,891,856	8,513,417	16,951,277	1,572,838		1,572,838
Interest on long-term liabilities	16,107,519	-	-	(16,107,519)		(16,107,519)
Total governmental activities	579,764,234	14,764,652	123,749,980	(441,249,602)		(441,249,602)
<b>Business-type activities:</b>						
Pioneer Adult Rehabilitation Center	10,130,337	7,467,276	957,532	-	\$ (1,705,529)	(1,705,529)
Total primary government	<u>\$ 589,894,571</u>	<u>\$ 22,231,928</u>	<u>\$ 124,707,512</u>	<u>(441,249,602)</u>	<u>(1,705,529)</u>	<u>(442,955,131)</u>
<b>General revenues:</b>						
Property taxes levied for:						
Basic				34,696,977	-	34,696,977
Voted local				24,861,073	-	24,861,073
Board local				40,543,348	-	40,543,348
Debt service				50,008,667	-	50,008,667
Capital outlay				18,162,423	-	18,162,423
Incremental taxes				7,471,295	-	7,471,295
Federal and state revenue not restricted to specific purposes				265,470,952	-	265,470,952
Earnings on investments				2,346,999	79,900	2,426,899
Miscellaneous				22,121,843	-	22,121,843
Total general revenues				<u>465,683,577</u>	<u>79,900</u>	<u>465,763,477</u>
Change in net position				24,433,975	(1,625,629)	22,808,346
<b>Net position - beginning, as restated</b>				<u>114,249,405</u>	<u>8,174,715</u>	<u>122,424,120</u>
<b>Net position - ending</b>				<u>\$ 138,683,380</u>	<u>\$ 6,549,086</u>	<u>\$ 145,232,466</u>

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

**DAVIS SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds**

June 30, 2017

	<b>Major Funds</b>			<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>		
<b>Assets:</b>					
Cash and investments	\$ 95,404,811	\$ 3,218,252	\$ 115,693,021	\$ 19,606,809	\$ 233,922,893
Receivables:					
Property taxes	92,588,484	47,216,971	14,645,964	9,706,279	164,157,698
Other local	243,685	-	20,507	26,002	290,194
State of Utah	2,266,297	-	-	1,846,187	4,112,484
Federal government	8,724,768	-	-	171,335	8,896,103
Inventories	5,568,408	-	-	1,591,777	7,160,185
Total assets	<u>\$ 204,796,453</u>	<u>\$ 50,435,223</u>	<u>\$ 130,359,492</u>	<u>\$ 32,948,389</u>	<u>\$ 418,539,557</u>
<b>Liabilities:</b>					
Accounts payable	\$ 1,318,241	\$ -	\$ 25,586,902	\$ 252,563	\$ 27,157,706
Accrued salaries and benefits	44,373,102	-	-	-	44,373,102
Unearned revenue:					
Other local	-	-	-	30,693	30,693
State of Utah	6,546,532	-	-	-	6,546,532
Total liabilities	<u>52,237,875</u>	<u>-</u>	<u>25,586,902</u>	<u>283,256</u>	<u>78,108,033</u>
<b>Deferred inflows of resources:</b>					
Unavailable property tax revenue	1,219,733	609,487	221,332	-	2,050,552
Property taxes levied for future year	90,281,299	46,037,216	14,163,748	9,706,279	160,188,542
Total deferred inflows of resources	<u>91,501,032</u>	<u>46,646,703</u>	<u>14,385,080</u>	<u>9,706,279</u>	<u>162,239,094</u>
<b>Fund balances:</b>					
Nonspendable:					
Inventories	5,568,408	-	-	1,591,777	7,160,185
Restricted for:					
Debt service	-	3,788,520	-	-	3,788,520
Capital projects	-	-	90,387,510	-	90,387,510
School food services	-	-	-	8,700,460	8,700,460
Committed to:					
Workers compensation	500,000	-	-	-	500,000
Termination benefits	4,500,000	-	-	-	4,500,000
Schools	-	-	-	10,962,771	10,962,771
Economic stabilization	23,000,000	-	-	-	23,000,000
Assigned to:					
Foundation	-	-	-	1,703,846	1,703,846
Programs	2,742,000	-	-	-	2,742,000
Textbooks	2,000,000	-	-	-	2,000,000
Employee compensation	4,000,000	-	-	-	4,000,000
Schools	300,000	-	-	-	300,000
Medical insurance	2,500,000	-	-	-	2,500,000
Unassigned	15,947,138	-	-	-	15,947,138
Total fund balances	<u>61,057,546</u>	<u>3,788,520</u>	<u>90,387,510</u>	<u>22,958,854</u>	<u>178,192,430</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 204,796,453</u>	<u>\$ 50,435,223</u>	<u>\$ 130,359,492</u>	<u>\$ 32,948,389</u>	<u>\$ 418,539,557</u>



# DAVIS SCHOOL DISTRICT

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

June 30, 2017

<b>Total fund balances for governmental funds</b>		<b>\$ 178,192,430</b>
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	\$ 56,353,822	
Construction in progress	79,496,722	
Buildings and improvements, net of \$382,591,445 accumulated depreciation	513,319,920	
Furniture and equipment, net of \$15,886,203 accumulated depreciation	3,629,090	
Transportation equipment, net of \$22,106,074 accumulated depreciation	<u>7,953,851</u>	660,753,405
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.		2,050,552
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(1,389,292)
An internal service fund is used by management to charge the costs of self insurance to individual funds and programs. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		6,955,519
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	(505,145,000)	
Deferred charge on refunding	7,594,893	
Unamortized premiums	(18,544,501)	
Accrued vacation	(5,135,376)	
Accrued sick leave	(2,824,424)	
Accrued personal leave	(1,445,834)	
Early retirement payable	(8,903,823)	
Net pension liability	(243,926,381)	
Deferred outflows of resources related to pensions	101,596,980	
Deferred inflows of resources related to pensions	<u>(31,145,768)</u>	<u>(707,879,234)</u>
<b>Total net position - governmental activities</b>		<b><u>\$ 138,683,380</u></b>

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, 2017

	Major Governmental Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
<b>Revenues:</b>					
Property taxes	\$ 100,154,506	\$ 50,046,169	\$ 18,174,116	\$ 7,471,295	\$ 175,846,086
Earnings on investments	1,670,298	-	440,265	236,436	2,346,999
Other local	8,584,633	-	440,842	19,737,422	28,762,897
School lunch sales	-	-	-	7,646,736	7,646,736
State of Utah	332,463,144	-	6,197,356	4,420,356	343,080,856
Federal government	32,582,867	1,026,288	-	12,530,921	46,140,076
Total revenues	475,455,448	51,072,457	25,252,579	52,043,166	603,823,650
<b>Expenditures:</b>					
Current:					
Instruction	314,917,995	-	-	25,814,816	340,732,811
Supporting services:					
Students	16,015,062	-	-	-	16,015,062
Instructional staff	20,886,518	-	-	-	20,886,518
District administration	2,772,126	-	-	-	2,772,126
School administration	34,455,761	-	-	-	34,455,761
Central	15,079,440	-	-	-	15,079,440
Operation and maintenance of facilities	43,193,068	-	-	-	43,193,068
Student transportation	13,142,063	-	-	-	13,142,063
School food service	-	-	-	23,596,878	23,596,878
Capital outlay	-	-	99,161,165	-	99,161,165
Debt service:					
Bond principal	-	34,865,000	-	-	34,865,000
Bond interest	-	16,660,115	-	-	16,660,115
Bond issuance costs	-	-	395,200	-	395,200
Fees and miscellaneous charges	-	8,400	-	-	8,400
Total expenditures	460,462,033	51,533,515	99,556,365	49,411,694	660,963,607
Excess (deficiency) of revenues over (under) expenditures	14,993,415	(461,058)	(74,303,786)	2,631,472	(57,139,957)
<b>Other financing sources (uses):</b>					
General obligation bonds issued	-	-	80,000,000	-	80,000,000
General obligation bonds premium	-	-	4,990,408	-	4,990,408
Proceeds from sale of capital assets	-	-	498,049	-	498,049
Total other financing sources (uses)	-	-	85,488,457	-	85,488,457
Net change in fund balances	14,993,415	(461,058)	11,184,671	2,631,472	28,348,500
<b>Fund balances - beginning, as restated</b>	46,064,131	4,249,578	79,202,839	20,327,382	149,843,930
<b>Fund balances - ending</b>	\$ 61,057,546	\$ 3,788,520	\$ 90,387,510	\$ 22,958,854	\$ 178,192,430

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, 2017

**Net change in fund balances-total governmental funds** **\$ 28,348,500**

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	\$ 74,429,228	
Gain on sale of capital assets	476,862	
Proceeds from sale of capital assets	(498,049)	
Depreciation expense	<u>(25,529,290)</u>	48,878,751

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 of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. 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	(80,000,000)	
Bond premium	(4,990,408)	
Amortization of deferred amounts on refunding	(1,477,424)	
Amortization of bond premium	2,177,352	
Repayment of bond principal	34,865,000	
Interest expense - general obligation bonds	<u>(138,932)</u>	(49,564,412)

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. (102,303)

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	(298,194)	
Accrued sick and personal leave	(255,522)	
Early retirement payable	140,412	
Pension expense	<u>(3,940,584)</u>	(4,353,888)

An internal service fund is used by the District to charge the costs of health and dental insurance to individual funds. The assets and liabilities of this internal service fund are included with governmental activities in the statement of net position. The change in net position of this internal service fund is:

1,227,327

**Change in net position of governmental activities** **\$ 24,433,975**

# DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2017

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 90,825,600	\$ 101,635,100	\$ 100,154,506	\$ (1,480,594)
Earnings on investments	510,000	750,000	1,670,298	920,298
Other local	9,405,000	8,048,200	8,584,633	536,433
State of Utah	336,506,800	332,338,000	332,463,144	125,144
Federal government	29,822,400	30,427,200	32,582,867	2,155,667
Total revenues	<u>467,069,800</u>	<u>473,198,500</u>	<u>475,455,448</u>	<u>2,256,948</u>
<b>Expenditures:</b>				
Current:				
Instruction	321,650,400	321,309,400	314,917,995	6,391,405
Supporting services:				
Students	16,508,700	16,697,100	16,015,062	682,038
Instructional staff	21,217,900	18,504,600	20,886,518	(2,381,918)
District administration	2,676,500	2,664,700	2,772,126	(107,426)
School administration	31,852,700	33,895,500	34,455,761	(560,261)
Central	14,600,600	17,541,400	15,079,440	2,461,960
Operation and maintenance of facilities	45,237,000	42,693,700	43,193,068	(499,368)
Student transportation	13,326,000	12,892,100	13,142,063	(249,963)
Total expenditures	<u>467,069,800</u>	<u>466,198,500</u>	<u>460,462,033</u>	<u>5,736,467</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	7,000,000	14,993,415	7,993,415
<b>Fund balances - beginning</b>	<u>46,064,131</u>	<u>46,064,131</u>	<u>46,064,131</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 46,064,131</u>	<u>\$ 53,064,131</u>	<u>\$ 61,057,546</u>	<u>\$ 7,993,415</u>

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

**DAVIS SCHOOL DISTRICT**  
**Statements of Fund Net Position**  
**Proprietary Funds**  
June 30, 2017

	<u>Enterprise Fund Pioneer Adult Rehab Center</u>	<u>Governmental Activities- Internal Service Fund Self Insurance</u>
<b>Assets:</b>		
Current assets:		
Cash and investments	\$ 4,957,995	\$ 19,648,858
Receivables - other local	685,631	182,332
Inventories of supplies	65,283	-
Total current assets	<u>5,708,909</u>	<u>19,831,190</u>
Noncurrent assets:		
Capital assets:		
Buildings and improvements	3,660,322	-
Equipment	753,789	-
Accumulated depreciation	<u>(2,507,587)</u>	<u>-</u>
Net capital assets	<u>1,906,524</u>	<u>-</u>
Total assets	<u>7,615,433</u>	<u>19,831,190</u>
<b>Deferred outflows of resources:</b>		
Related to pensions	<u>527,397</u>	<u>-</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	77,854	12,875,671
Compensation liability	35,998	-
Total current liabilities	<u>113,852</u>	<u>12,875,671</u>
Noncurrent liabilities:		
Compensation liability	51,974	-
Net pension liability	<u>1,266,238</u>	<u>-</u>
Total noncurrent liabilities	<u>1,318,212</u>	<u>-</u>
Total liabilities	<u>1,432,064</u>	<u>12,875,671</u>
<b>Deferred inflows of resources:</b>		
Related to pensions	<u>161,680</u>	<u>-</u>
<b>Net position:</b>		
Net investment in capital assets	1,906,524	-
Unrestricted, as restated	<u>4,642,562</u>	<u>6,955,519</u>
Total net position	<u><u>\$ 6,549,086</u></u>	<u><u>\$ 6,955,519</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, 2017

	<u>Enterprise Fund Pioneer Adult Rehab Center</u>	<u>Governmental Activities- Internal Service Fund Self Insurance</u>
<b>Operating revenues:</b>		
Charges for services	\$ 6,960,728	\$ 64,880,718
Other local	506,548	-
Total operating revenues	<u>7,467,276</u>	<u>64,880,718</u>
<b>Operating expenses:</b>		
Salaries and benefits	7,472,886	-
Depreciation	130,783	-
Indirect charges	328,355	-
Other	2,198,313	63,653,391
Total operating expenses	<u>10,130,337</u>	<u>63,653,391</u>
Operating income (loss)	<u>(2,663,061)</u>	<u>1,227,327</u>
<b>Nonoperating income (expense):</b>		
Earnings on investments	79,900	-
State of Utah	957,532	-
Total nonoperating income (expense)	<u>1,037,432</u>	<u>-</u>
Income (loss) / change in net position	<u>(1,625,629)</u>	<u>1,227,327</u>
<b>Total net position - beginning</b>	<u>8,174,715</u>	<u>5,728,192</u>
<b>Total net position - ending</b>	<u><u>\$ 6,549,086</u></u>	<u><u>\$ 6,955,519</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, 2017

	Enterprise Fund Pioneer Adult Rehab Center	Governmental Activities- Internal Service Fund Self Insurance
<b>Cash flows from operating activities:</b>		
Receipts from interfund services provided	\$ -	\$ 64,698,386
Receipts from customers	7,267,586	-
Payments to suppliers	(2,529,624)	(61,709,587)
Payments to employees	(7,449,269)	-
Net cash provided (used) by operating activities	(2,711,307)	2,988,799
<b>Cash flows from noncapital financing activities:</b>		
Receipt of state subsidies	957,532	-
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(115,102)	-
<b>Cash flows from investing activities:</b>		
Receipt of earnings on investments	79,900	-
Net change in cash and cash equivalents	(1,788,977)	2,988,799
<b>Cash and cash equivalents - beginning</b>	6,746,972	16,660,059
<b>Cash and cash equivalents - ending</b> (displayed as cash and investments on the statements of fund net position)	\$ 4,957,995	\$ 19,648,858
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,663,061)	\$ 1,227,327
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	130,783	-
Pension expense	28,567	-
Changes in operating assets and liabilities:		
Accounts receivable	(199,690)	(182,332)
Inventories	(17,681)	-
Accounts payable	14,725	1,943,804
Compensation liability	(4,950)	-
Total adjustments	(48,246)	1,761,472
Net cash provided (used) by operating activities	\$ (2,711,307)	\$ 2,988,799
Noncash investing, capital, and financing activities	none	none

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

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of 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 blended component unit, Davis School District Foundation (the Foundation) for which the District is considered to be financially accountable. The Foundation exclusively services the District. The District makes all personnel decisions for the Foundation and pays for all operating costs of the Foundation. A blended component unit, although a legally separate entity, is in substance part of the District’s operations.

**Government-wide and fund financial statements** – The *government-wide financial statements* (the statement of net position and the statement of changes in net position) 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 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.



**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**

*Continued*

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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 Self Insurance Fund* (an internal service fund) which accounts for employee benefits 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 resources 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*

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

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

**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

**Unearned revenue** – Unearned revenue for the District represents amounts received on grants whose purpose restrictions have not been met. Revenue is recognized on restricted grants only when all restrictions on those funds are satisfied.

**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*).

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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

**Long-term obligations** – In the government-wide financial statements and the *Self Insurance Fund*, long-term debt and other long-term obligations are reported in the applicable statement of net position. Bond premiums and discounts, as well as refunding costs, are deferred and amortized over the life of the bonds using the straight-line method, 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** – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following sources that qualify for reporting in this category:

- Deferred charge on refunding – results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions – includes a) changes of assumptions in the measurement of the net pension liability/asset, b) net difference between projected and actual earnings on pension plan investments, c) changes in proportion and differences between contributions and proportionate share of contributions, and d) District contributions subsequent to the measurement date of December 31, 2016.

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

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.
- Property taxes levied for future year – property taxes levied on January 1, 2017 for the following school year.
- Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience and b) changes of assumptions in the measurement of the net pension liability/asset, c) net

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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difference between projected and actual earnings on pension plan investments, and d) changes in proportion and differences between contributions and proportionate share of contributions.

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

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

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

Fund balance classifications are summarized as follows:

- **Nonspendable** – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to prepaid items and inventories are classified as nonspendable.
- **Restricted** – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the unspent tax revenue for specific purposes (debt service and capital projects) and amounts in other governmental funds (school food services).
- **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 Board of Education has resolved to commit fund balance amount in the governmental funds for the following purposes:
  - Workers compensation claims.
  - Employee benefit obligations for unpaid compensated absences including vacation, sick, and personal leave.
  - Amounts held in other governmental fund resources for schools.
  - As defined in Utah law as an “undistributed reserve,” the District maintains up to five percent of *General Fund* budgeted expenditures for economic stabilization. Potential state budget cuts, disasters, immediate capital needs, and other significant events are circumstances or conditions that signal the need for stabilization. Additionally, the commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees” and the use of this reserve requires a written resolution adopted by a majority vote of the Board of Education filed with the Utah State Board of Education and the Office of the Utah State Auditor.

- **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 *General Fund* resources for district programs, schools, and foundation as well as for future medical insurance costs.
- **Unassigned** – Residual balances in the *General Fund* are classified as unassigned.

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

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

## **2. DEPOSITS AND INVESTMENTS**

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2017, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 21,697,629
Carrying amount of investments	<u>236,832,117</u>
Total cash and investments	<u><u>\$ 258,529,746</u></u>
Governmental funds cash and investments	\$ 233,922,893
Enterprise funds cash and investments	4,957,995
Internal service funds cash and investments	<u>19,648,858</u>
Total cash and investments	<u><u>\$ 258,529,746</u></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, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker’s acceptances,

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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 the 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, 2017, the District and the Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Davis School District	\$ 19,991,821	\$ 24,239,220	\$ 250,000
Davis School District Foundation, a component unit of the District	1,705,808	1,705,808	-
Total deposits	<u>\$ 21,697,629</u>	<u>\$ 25,945,028</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, 2017, 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, 2017, the District has \$226,875,225 invested in the Utah Public Treasurers' Investment Fund; the PTIF is not rated. The District has \$5,382,139 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 \$4,559,741 invested in corporate bonds rated BBB+ and Baa1 or higher by Standard & Poor's and Moody's Investors Service, Inc., respectively. The Davis School District Foundation has \$15,012 invested in mutual funds that are unrated.

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

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**

*Continued*

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Davis School District:			
Utah Public Treasurers' Investment Fund (PTIF)	\$ 226,875,225	\$ 226,875,225	\$ -
Government agencies	5,382,139	-	5,382,139
Corporate bonds	4,559,741	-	4,559,741
Total District	236,817,105	226,875,225	9,941,880
Davis School District Foundation, a component unit of the District			
Mutual funds investing in:			
Taxable bonds	1,236	1,236	-
International stock	13,776	13,776	-
Total Foundation	15,012	15,012	-
Total investments	\$ 236,832,117	\$ 226,890,237	\$ 9,941,880

- **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.
- **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



**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

### **3. FAIR VALUE MEASUREMENTS**

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

The District has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury securities of \$5,382,142 are valued using quoted market prices (Level 2 inputs).
- Corporate bonds of \$4,559,741 are valued using a matrix pricing model (Level 2 inputs).
- Public Treasurers' Investment Fund position of \$226,875,225 is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

The Foundation has the following recurring fair value measurements as of June 30, 2017:

- Mutual funds of \$15,012 are valued using quoted market prices (Level 1 inputs).

### **4. PROPERTY TAXES**

**District property tax revenue** – The property tax revenue of the District is collected and distributed by the 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, 2017, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2017 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*

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

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

During the year ended June 30, 2017, incremental taxes levied by the District for the redevelopment agencies totaling \$7,471,295 were recorded as revenue with an equivalent amount of expenditure for instruction in the other governmental funds (in the *Pass-Through Taxes Fund*).

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 55,053,367	\$ 1,321,642	\$ (21,187)	\$ 56,353,822
Construction in progress	50,583,429	69,609,207	(40,695,914)	79,496,722
Total capital assets, not being depreciated	105,636,796	70,930,849	(40,717,101)	135,850,544
Capital assets, being depreciated:				
Buildings and improvements	855,215,451	40,695,914	-	895,911,365
Furniture and equipment	19,103,918	1,172,409	(761,034)	19,515,293
Transportation equipment	32,016,401	2,325,970	(4,282,446)	30,059,925
Total capital assets, being depreciated	906,335,770	44,194,293	(5,043,480)	945,486,583
Accumulated depreciation for:				
Buildings and improvements	(360,146,173)	(22,445,272)	-	(382,591,445)
Furniture and equipment	(15,343,659)	(1,303,578)	761,034	(15,886,203)
Transportation equipment	(24,608,080)	(1,780,440)	4,282,446	(22,106,074)
Total accumulated depreciation	(400,097,912)	(25,529,290)	5,043,480	(420,583,722)
Total capital assets, being depreciated, net	506,237,858	18,665,003	-	524,902,861
Governmental activity capital assets, net	<u>\$ 611,874,654</u>	<u>\$ 89,595,852</u>	<u>\$ (40,717,101)</u>	<u>\$ 660,753,405</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,660,322	\$ -	\$ -	\$ 3,660,322
Furniture and equipment	673,917	115,102	(35,230)	753,789
Total capital assets, being depreciated	4,334,239	115,102	(35,230)	4,414,111
Accumulated depreciation for:				
Buildings and improvements	(1,830,911)	(95,128)	-	(1,926,039)
Furniture and equipment	(581,123)	(35,655)	35,230	(581,548)
Total accumulated depreciation	(2,412,034)	(130,783)	35,230	(2,507,587)
Business-type activity capital assets, net	<u>\$ 1,922,205</u>	<u>\$ (15,681)</u>	<u>\$ -</u>	<u>\$ 1,906,524</u>

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

For the year ended June 30, 2017, depreciation expense was charged to functions of the District as follows:

<b>Governmental activities:</b>	
Instruction	\$ 19,802,735
Supporting services:	
Students	187,405
Instructional staff	103,997
District administration	36,029
School administration	1,076,904
Central	878,771
Operation and maintenance of facilities	1,761,858
Student transportation	1,429,074
School food services	252,517
	<u>252,517</u>
Total depreciation expense, governmental activities	<u>\$ 25,529,290</u>
 <b>Business-type activities:</b>	
Pioneer Adult Rehabilitation Center	<u>\$ 130,783</u>

The District is obligated at June 30, 2017 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Junior High #17	\$ 41,665,838	\$ 3,599,174	\$ 38,066,664
Mueller Park Addition	10,368,337	1,642,649	8,725,688
Woods Cross High Addition	25,156,558	11,508,009	13,648,549
High School #10	79,989,561	50,944,818	29,044,743
Viewmont High renovation	20,537,394	11,590,384	8,947,010
Other projects	455,723	211,688	244,035
	<u>\$ 178,173,411</u>	<u>\$ 79,496,722</u>	<u>\$ 98,676,689</u>

The general obligation school building bonds will be used to finance the costs to complete these projects (See Note 8).

## 6. RETIREMENT PLANS

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

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

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

Defined Contribution Plans (individual account plans):

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

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**

*Continued*

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

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

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

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

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

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

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

For the year ended June 30, 2017, District required contribution rates for the plans were as follows:

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

	Defined Benefit Plans Rates		District Rates for 401(k) Plan	Totals
	District Contribution	Amortization of UAAL *		
Tier 1 Noncontributory System	12.25%	9.94%	1.50%	23.69%
Tier 1 Contributory System	5.45%	12.25%	-	22.70%
Tier 2 Contributory System **	8.30%	9.94%	1.78%	20.02%
Tier 2 Defined Contribution Plan **	0.08%	9.94%	10.00%	20.02%

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

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

Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended June 30, 2017, District and employee contributions to the plans were as follows:

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 44,408,786	\$ -
Tier 1 Contributory System	216,832	12,250
Tier 2 Contributory System	7,523,441	-
401(k) Plan	5,145,898	3,369,247
457 Plan and other individual plans	-	801,529

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

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At June 30, 2017, the District reported a net pension liability of \$245,192,618 for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 241,850,853
Tier 1 Contributory System	-	2,852,030
Tier 2 Contributory System	-	489,735
Total	<u>\$ -</u>	<u>\$ 245,192,618</u>

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**

*Continued*

The net pension asset and liability were measured as of December 31, 2016 and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2016 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension asset and liability is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2016 and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2016	Change
Tier 1 Noncontributory System	7.4624207%	0.1210098%
Tier 1 Contributory System	5.2048370%	-0.2262404%
Tier 2 Contributory System	4.3903033%	0.3180162%

For the year ended June 30, 2017, the District recognized pension expense of \$56,748,099 for the defined benefit pension plans and pension expense of \$5,145,898 for the defined contribution plans. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,453,414
Changes of assumptions	25,959,532	3,044,292
Net difference between projected and actual earnings on pension plan investments	46,964,345	13,478,124
Changes in proportion and differences between contributions and proportionate share of contributions	2,537,109	1,331,617
District contributions subsequent to the measurement date	26,663,391	-
Total	<u>\$ 102,124,377</u>	<u>\$ 31,307,447</u>

The \$26,663,391 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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Year Ending June 30,	Deferred Outflows (Inflows) of Resources
<u>          </u>	<u>          </u>
2018	\$ 13,235,143
2019	13,866,596
2020	18,555,680
2021	(1,666,380)
2022	13,358
Thereafter	149,142

**Actuarial assumptions** – The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35% to 10.35%, average, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality tables or were developed from actual experience, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date include adjustments for inflation, salary increases, payroll growth, post retirement mortality, preretirement mortality, and certain demographics to more closely reflect actual experience.

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



**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

**Discount rate** – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was not changed from the prior measurement date.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 443,437,925	\$ 241,850,853	\$ 72,901,206
Tier 1 Contributory System	7,011,659	2,852,030	(680,654)
Tier 2 Contributory System	3,333,461	489,735	(1,673,630)
Total	<u>\$ 453,783,045</u>	<u>\$ 245,192,618</u>	<u>\$ 70,546,922</u>

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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

**Payables to the pension plans** – At June 30, 2017, the District reported payables of \$12,311,274 for contributions to defined benefit pension plans and defined contribution plans.

**7. RISK MANAGEMENT**

The *Self Insurance Fund*, an internal service fund, was established to pay self-insurance claims for health and dental coverage provided to qualified District employees. The District carries commercial insurance, which covers claims in excess of \$200,000. The fund collects premiums, established by the District and plan administrator, from other District funds. The District has recorded an estimate of claims incurred but not reported (IBNR) of \$12,875,671 as of June 30, 2017. This liability is based on experience and information provided by the plan administrator. The following table shows a history of accrued claims payable for the years ended June 30, 2017 and 2016:

	2017	2016
Beginning accrued claim payable	\$ 10,931,867	\$ 11,569,061
Claims (including incurred but not reported)	63,653,391	59,071,900
Payment of claims and administrative costs	(61,709,587)	-
Ending accrued claims payable	<u>\$ 12,875,671</u>	<u>\$ 70,640,961</u>

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 which are processed by a third party administrator. During the year ended June 30, 2017, the District paid worker’s compensation claims in the amount of \$867,507. A co-insurance policy provides for individual worker’s compensation claims in excess of \$250,000. This District has not established a liability for either claims outstanding or for the claims incurred but not reported (IBNR) because management believes the amount would be immaterial to the financial statements.

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.

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

**8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 460,010,000	\$ 80,000,000	\$ (34,865,000)	\$ 505,145,000	\$ 34,530,000
Unamortized premiums	15,731,445	4,990,408	(2,177,352)	18,544,501	-
Total bonds payable, net	475,741,445	84,990,408	(37,042,352)	523,689,501	34,530,000
Accrued vacation	4,837,182	3,426,568	(3,128,374)	5,135,376	3,321,226
Accrued sick leave	2,568,143	712,321	(456,040)	2,824,424	501,549
Accrued personal leave	1,446,593	825,255	(826,014)	1,445,834	825,581
Early retirement payable	9,044,235	4,910,671	(5,051,083)	8,903,823	4,742,456
Net pension liability	232,820,688	63,612,303	(52,506,610)	243,926,381	-
Total governmental activity long-term liabilities	<u>\$ 726,458,286</u>	<u>\$ 158,477,526</u>	<u>\$ (99,010,473)</u>	<u>\$ 785,925,339</u>	<u>\$ 43,920,812</u>
<b>Business-type activities:</b>					
Accrued vacation	\$ 78,936	\$ 74,855	\$ (81,835)	\$ 71,956	\$ 29,444
Accrued sick leave	13,021	3,321	(1,423)	14,919	6,105
Accrued personal leave	965	1,653	(1,521)	1,097	449
Net pension liability	1,197,448	341,129	(272,339)	1,266,238	-
Total business-type activity long-term liabilities	<u>\$ 1,290,370</u>	<u>\$ 420,958</u>	<u>\$ (357,118)</u>	<u>\$ 1,354,210</u>	<u>\$ 35,998</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, 2017, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 34,530,000	\$ 18,498,117	\$ 53,028,117
2019	34,255,000	16,824,428	51,079,428
2020	34,270,000	15,696,298	49,966,298
2021	33,140,000	14,555,640	47,695,640
2022	32,375,000	13,661,969	46,036,969
2023-2027	146,465,000	51,280,311	197,745,311
2028-2032	129,155,000	23,140,635	152,295,635
2033-2037	60,955,000	5,449,138	66,404,138
Total	<u>\$ 505,145,000</u>	<u>\$ 159,106,536</u>	<u>\$ 664,251,536</u>

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

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General obligation school building bonds payable at June 30, 2017 with their outstanding balances are comprised of the following individual issues:

Bond Series 2009 - GO Bonds - original issue of \$43,000,000 with interest rates ranging from 2.0% to 5.0%	\$ 1,825,000
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)	60,520,000
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 2011C - GO Refunding Bonds - original issue of \$33,200,000 with interest rates ranging from 4.0% to 5.0%	7,940,000
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 2013B - GO Refunding Bonds - original issue of \$20,550,000 with interest rates ranging from 3.0% to 4.25%	12,745,000
Bond Series 2014 - GO Bonds - original issue of \$25,000,000 with interest rates ranging from 2.25% to 5.0%	25,000,000
Bond Series 2015A - GO Bonds - original issue of \$40,000,000 with interest rates ranging from 2.0% to 5.0%	36,555,000
Bond Series 2015B - GO Refunding Bonds - original issue of \$67,025,000 with interest rates ranging from 2.0% to 5.0%	66,275,000
Bond Series 2015C - GO Refunding Bonds - original issue of \$53,010,000 with interest rate of 1.72%	47,260,000
Bond Series 2016 - GO Bonds - original issue of \$68,500,000 with interest rates ranging from 2.0% to 3.375%	67,025,000
Bond Series 2017 - GO Bonds - original issue of \$80,000,000 with interest rates ranging from 3.0% to 5.0%	80,000,000
	<u>\$ 505,145,000</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, 2017 is \$1,316,664,609 with general obligation debt outstanding, net of issuance premiums, of \$523,689,501, resulting in a legal debt margin of \$792,975,108.

Payments on the general obligation bonds are made by the *Debt Service 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.

**Bond issuance** – In November 2017, the District issued \$36,805,000 of general obligation school building bonds. The bonds have interest rates ranging from 2.0% to 5.0% with a final maturity of June 2031. These bonds will refund 2011 general obligation bonds in the amount of \$37,370,000. The net present value savings of the refunding is \$4,151,231.

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
*Continued*

**Early retirement payable** – 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 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, 2017 and 2016 the District's direct payments to retirees were \$2,944,696 and \$2,967,086 and payments of insurance premiums on behalf of retirees were \$2,106,387 and \$1,942,127, 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.

**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 fund balances are positive at June 30, 2017.

**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**

In 2017, the District adopted Government Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. The new standard requires the District to present the Davis School District Foundation as a blended component unit. Beginning net position and fund balance has been restated to reflect the implementation of this new accounting and reporting standard as follows:

	Other Governmental Funds	Primary Government Governmental Activities	Discretely Presented Component Unit District Foundation
Beginning net position, as previously stated	\$ 18,926,901	\$ 112,848,924	\$ 1,400,481
Implementation of GASB Statement No. 80	1,400,481	1,400,481	(1,400,481)
Beginning net position, as restated	\$ 20,327,382	\$ 114,249,405	\$ -

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# DAVIS SCHOOL DISTRICT

## Schedules of the Proportionate Share of the Net Pension Liability (Asset) – *Utah Retirement Systems*

Last Three Plan (Calendar) Years \*

	2016	2015	2014
<b>Tier 1 Noncontributory System</b>			
District's proportion of the net pension liability (asset)	7.4624207%	7.3414109%	7.4134528%
District's proportion share of the net pension liability (asset)	\$ 241,850,854	\$ 230,614,740	\$ 186,265,127
District's covered employee payroll	\$ 204,451,285	\$ 201,027,809	\$ 207,180,521
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	118.3%	114.7%	89.9%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	84.5%	87.2%
<b>Tier 1 Contributory System</b>			
District's proportion of the net pension liability (asset)	5.2048370%	5.4310774%	5.2473969%
District's proportion share of the net pension liability (asset)	\$ 2,852,030	\$ 3,403,396	\$ 575,369
District's covered employee payroll	\$ 1,395,246	\$ 1,720,443	\$ 1,924,123
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.4%	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	93.4%	92.4%	98.7%
<b>Tier 2 Contributory System</b>			
District's proportion of the net pension liability (asset)	4.3903033%	4.0722871%	4.0284960%
District's proportion share of the net pension liability (asset)	\$ 489,735	\$ (8,890)	\$ (122,081)
District's covered employee payroll	\$ 36,003,896	\$ 26,295,729	\$ 19,714,988
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.4%	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	100.2%	103.5%

\* These schedules are intended to present information for ten years; prior-year information is not available. Additional information will be displayed as it becomes available.

# DAVIS SCHOOL DISTRICT

## Schedules of District Contributions – *Utah Retirement Systems* Last Three Reporting Years \*

	2017	2016	2015
<b>Tier 1 Noncontributory System</b>			
Contractually required contribution	44,408,786	\$ 44,466,708	\$ 43,924,810
Contributions in relation to the contractually required contribution	(44,408,786)	(44,466,708)	(43,924,810)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	202,863,727	\$ 203,305,674	\$ 203,539,652
Contributions as a percentage of covered-employee payroll	21.9%	21.9%	21.6%
<b>Tier 1 Contributory System</b>			
Contractually required contribution	216,832	\$ 279,041	\$ 323,810
Contributions in relation to the contractually required contribution	(216,832)	(279,041)	(323,810)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	1,225,041	\$ 1,576,505	\$ 1,858,776
Contributions as a percentage of covered-employee payroll	17.7%	17.7%	17.4%
<b>Tier 2 Contributory System</b>			
Contractually required contribution	\$ 8,182,874	\$ 6,160,316	\$ 4,551,043
Contributions in relation to the contractually required contribution	(8,182,874)	(6,160,316)	(4,551,043)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 47,831,200	\$ 36,010,273	\$ 26,761,238
Contributions as a percentage of covered-employee payroll	17.1%	17.1%	17.0%

\* These schedules are intended to present information for ten years; prior-year information is not available. Additional information displayed as it becomes available.



**DAVIS SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

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**A. CHANGES IN ASSUMPTIONS-UTAH RETIREMENT SYSTEMS**

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

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

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

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

**B. SCHEDULES OF DISTRICT CONTRIBUTIONS-UTAH RETIREMENT SYSTEMS**

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

## 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.

**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 0.0024 as authorized by Utah Code 53 A-16-107. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

**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.

**Pass-Through Taxes Fund** – The Pass-Through Taxes Fund is used to account for property taxes levied by the District, but remitted directly to redevelopment agencies located within the boundaries of the District. Incremental taxes are levied as authorized by Utah Code 17C-1. Incremental taxes are recorded as revenue with an equivalent amount of expenditure representing the fact that these amounts are forwarded directly by the county to the redevelopment agencies and used at the agencies' discretion.

**District Foundation Fund** - The District Foundation fund is used to account for financial resources collected and spent by the District's 501(c)(3) foundation. Revenues are generated through donations from community members and businesses and used to augment the educational needs of teachers and students of the District.

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *General Fund*

June 30, 2017

With Comparative Totals for 2016

	2017	2016
<b>Assets:</b>		
Cash and investments	\$ 95,404,811	\$ 119,028,286
Receivables:		
Property taxes	92,588,484	90,597,102
Other local	243,685	288,726
State of Utah	2,266,297	1,002,036
Federal government	8,724,768	5,762,366
Inventories	5,568,408	6,002,494
Total assets	<u>\$ 204,796,453</u>	<u>\$ 222,681,010</u>
<b>Liabilities:</b>		
Accounts payable	\$ 1,318,241	\$ 6,919,809
Notes payable		
Accrued salaries and benefits	44,373,102	40,855,094
Unearned revenue:		
State of Utah	6,546,532	6,715,150
Due to other funds	-	33,197,475
Total liabilities	<u>52,237,875</u>	<u>87,687,528</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable property tax revenue	1,219,733	1,272,840
Property taxes levied for future year	90,281,299	87,656,511
Total deferred inflows of resources	<u>91,501,032</u>	<u>88,929,351</u>
<b>Fund Balances:</b>		
Nonspendable:		
Inventories	5,568,408	6,002,494
Committed to:		
Workers compensation	500,000	500,000
Termination benefits	4,500,000	4,500,000
Economic stabilization	23,000,000	20,000,000
Assigned to:		
Programs	2,742,000	635,887
Textbooks	2,000,000	-
Employee compensation	4,000,000	-
Schools	300,000	300,000
Medical insurance	2,500,000	2,500,000
Unassigned	15,947,138	11,625,750
Total fund balances	<u>61,057,546</u>	<u>46,064,131</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 204,796,453</u>	<u>\$ 222,681,010</u>

# DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2017  
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Property taxes	\$ 101,635,100	\$ 100,154,506	\$ (1,480,594)	\$ 95,052,673
Earnings on investments	750,000	1,670,298	920,298	620,624
Other local	8,048,200	8,584,633	536,433	8,736,925
State of Utah	332,338,000	332,463,144	125,144	310,405,731
Federal government	30,427,200	32,582,867	2,155,667	31,631,894
Total revenues	<u>473,198,500</u>	<u>475,455,448</u>	<u>2,256,948</u>	<u>446,447,847</u>
<b>Expenditures:</b>				
Current:				
Instruction	321,309,400	314,917,995	6,391,405	302,319,756
Supporting services:				
Students	16,697,100	16,015,062	682,038	15,573,759
Instructional staff	18,504,600	20,886,518	(2,381,918)	20,244,708
District administration	2,664,700	2,772,126	(107,426)	2,505,646
School administration	33,895,500	34,455,761	(560,261)	28,518,964
Central	17,541,400	15,079,440	2,461,960	14,277,804
Operation and maintenance of facilities	42,693,700	43,193,068	(499,368)	43,268,575
Student transportation	12,892,100	13,142,063	(249,963)	12,881,560
Total expenditures	<u>466,198,500</u>	<u>460,462,033</u>	<u>5,736,467</u>	<u>439,590,772</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	7,000,000	14,993,415	7,993,415	6,857,075
<b>Fund balances - beginning</b>	<u>46,064,131</u>	<u>46,064,131</u>	<u>-</u>	<u>39,207,056</u>
<b>Fund balances - ending</b>	<u>\$ 53,064,131</u>	<u>\$ 61,057,546</u>	<u>\$ 7,993,415</u>	<u>\$ 46,064,131</u>

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *Debt Service Fund*

June 30, 2017

With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and investments	\$ 3,218,252	\$ 3,374,512
Receivables - property taxes	<u>47,216,971</u>	<u>45,323,105</u>
Total assets	<u>\$ 50,435,223</u>	<u>\$ 48,697,617</u>
 <b>Deferred inflows of resources:</b>		
Unavailable property tax revenue	\$ 609,487	\$ 646,989
Property taxes levied for future year	<u>46,037,216</u>	<u>43,801,050</u>
Total deferred inflows of resources	<u>46,646,703</u>	<u>44,448,039</u>
 <b>Fund balances:</b>		
Restricted for:		
Debt service	<u>3,788,520</u>	<u>4,249,578</u>
Total deferred inflows of resources and fund balances	<u>\$ 50,435,223</u>	<u>\$ 48,697,617</u>

# DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2017

With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Property taxes	\$ 50,294,100	\$ 50,046,169	\$ (247,931)	\$ 48,315,623
Federal interest subsidy	1,027,390	1,026,288	(1,102)	1,027,390
Total revenues	51,321,490	51,072,457	(249,033)	49,343,013
<b>Expenditures:</b>				
Debt service:				
Bond principal	34,865,000	34,865,000	-	33,230,000
Bond interest	16,660,115	16,660,115	-	14,949,568
Bond issuance costs	250,000	-	250,000	512,741
Fees and miscellaneous charges	50,085	8,400	41,685	36,400
Total expenditures	51,825,200	51,533,515	291,685	48,728,709
Excess (deficiency) of revenues over (under) expenditures	(503,710)	(461,058)	42,652	614,304
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	-	-	120,035,000
Refunding bonds premium	-	-	-	6,930,694
Refunding bonds escrow payment	-	-	-	(126,452,953)
Total other financing sources (uses)	-	-	-	512,741
Net change in fund balances	(503,710)	(461,058)	42,652	1,127,045
<b>Fund balances - beginning</b>	4,249,578	4,249,578	-	3,122,533
<b>Fund balances - ending</b>	\$ 3,745,868	\$ 3,788,520	\$ 42,652	\$ 4,249,578

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *Capital Projects Fund*

June 30, 2017

With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and investments	\$ 115,693,021	\$ 64,073,939
Receivables:		
Property taxes	14,645,964	16,508,212
Other local	20,507	-
Due from other funds	-	29,166,970
Total assets	<u>\$ 130,359,492</u>	<u>\$ 109,749,121</u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 25,586,902</u>	<u>\$ 14,407,036</u>
<b>Deferred inflows of resources:</b>		
Unavailable property tax revenue	221,332	233,026
Property taxes levied for future year	<u>14,163,748</u>	<u>15,906,220</u>
Total deferred inflows of resources	<u>14,385,080</u>	<u>16,139,246</u>
<b>Fund balances:</b>		
Restricted for:		
Capital projects	<u>90,387,510</u>	<u>79,202,839</u>
Total fund balances	<u>90,387,510</u>	<u>79,202,839</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 130,359,492</u>	<u>\$ 109,749,121</u>

# DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2017

With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 18,264,200	\$ 18,174,116	\$ (90,084)	\$ 17,401,892
Earnings on investments	1,150,000	440,265	(709,735)	522,584
Other local	530,100	440,842	(89,258)	141,295
State of Utah	4,240,892	6,197,356	1,956,464	5,349,248
Total revenues	24,185,192	25,252,579	1,067,387	23,415,019
<b>Expenditures:</b>				
Capital outlay:				
Buildings and improvements	115,805,500	82,712,462	33,093,038	66,800,011
Equipment	17,220,100	13,469,352	3,750,748	8,573,388
Other	1,150,000	2,979,351	(1,829,351)	2,893,489
Debt service:				
Bond issuance costs	-	395,200	(395,200)	386,720
Capital lease payments	-	-	-	97,271
Total expenditures	134,175,600	99,556,365	34,619,235	78,750,879
Excess (deficiency) of revenues over (under) expenditures	(109,990,408)	(74,303,786)	35,686,622	(55,335,860)
<b>Other financing sources:</b>				
General obligation bonds issued	80,000,000	80,000,000	-	68,500,000
General obligation bonds premium	4,990,408	4,990,408	-	1,510,053
Proceeds from sale of capital assets	-	498,049	498,049	137,256
Total other financing sources	84,990,408	85,488,457	498,049	70,147,309
Net change in fund balances	(25,000,000)	11,184,671	36,184,671	14,811,449
<b>Fund balances - beginning</b>	79,202,839	79,202,839	-	64,391,390
<b>Fund balances - ending</b>	<u>\$ 54,202,839</u>	<u>\$ 90,387,510</u>	<u>\$ 36,184,671</u>	<u>\$ 79,202,839</u>



# DAVIS SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2017

With Comparative Totals for 2016

	Special Revenue				Total Nonmajor Governmental Funds
	School Food Services	Student Activities Fund	District Foundation Fund	Pass-Through Taxes Fund	
<b>Assets:</b>					
Cash and investments	\$ 6,786,317	\$ 11,099,473	\$ 1,721,019	\$ -	\$ 19,606,809
Receivables:					
Property taxes	-	-	-	9,706,279	9,706,279
Other local	26,002	-	-	-	26,002
State of Utah	1,846,187	-	-	-	1,846,187
Federal government	171,335	-	-	-	171,335
Inventories	1,591,777	-	-	-	1,591,777
Total assets	<u>\$ 10,421,618</u>	<u>\$ 11,099,473</u>	<u>\$ 1,721,019</u>	<u>\$ 9,706,279</u>	<u>\$ 32,948,389</u>
<b>Liabilities:</b>					
Accounts payable	\$ 129,381	\$ 106,009	\$ 17,173	\$ -	\$ 252,563
Unearned revenue - other local	-	30,693	-	-	30,693
Total liabilities	<u>129,381</u>	<u>136,702</u>	<u>17,173</u>	<u>-</u>	<u>283,256</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for future year	-	-		9,706,279	9,706,279
<b>Fund balances:</b>					
Nonspendable:					
Inventories	1,591,777	-	-	-	1,591,777
Restricted for:					
School food services	8,700,460	-	-	-	8,700,460
Committed to:					
Schools	-	10,962,771	-	-	10,962,771
Assigned to:					
Foundation	-	-	1,703,846	-	1,703,846
Total fund balances	<u>10,292,237</u>	<u>10,962,771</u>	<u>1,703,846</u>	<u>-</u>	<u>22,958,854</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,421,618</u>	<u>\$ 11,099,473</u>	<u>\$ 1,721,019</u>	<u>\$ 9,706,279</u>	<u>\$ 32,948,389</u>

# DAVIS SCHOOL DISTRICT

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue				Total
	School Food Services	Student Activities Fund	District Foundation Fund	Pass-Through Taxes Fund	Nonmajor Governmental Funds
<b>Revenues:</b>					
Local sources:					
Property taxes	\$ -	\$ -	\$ -	\$ 7,471,295	\$ 7,471,295
Earnings on investments	-	222,720	13,716	-	236,436
School lunch sales	7,646,736	-	-	-	7,646,736
Student fees	-	14,112,880	-	-	14,112,880
Other local	866,681	2,860,932	1,896,929	-	5,624,542
State of Utah	4,420,356	-	-	-	4,420,356
Federal government	12,530,921	-	-	-	12,530,921
Total revenues	25,464,694	17,196,532	1,910,645	7,471,295	52,043,166
<b>Expenditures:</b>					
Current:					
Food	11,989,741	-	-	-	11,989,741
Salaries and benefits	9,576,740	1,272,295	-	-	10,849,035
Indirect charges	732,883	-	-	-	732,883
Purchased services	-	2,138,216	33,651	-	2,171,867
Grants and awards	-	-	1,209,419	-	1,209,419
Supplies and equipment	-	13,325,730	364,210	-	13,689,940
Other	1,297,514	-	-	7,471,295	8,768,809
Total expenditures	23,596,878	16,736,241	1,607,280	7,471,295	49,411,694
Excess of revenues over expenditures / net change in fund balances	1,867,816	460,291	303,365	-	2,631,472
<b>Fund balances - beginning, as restated</b>	8,424,421	10,502,480	1,400,481	-	20,327,382
<b>Fund balances - ending</b>	\$ 10,292,237	\$ 10,962,771	\$ 1,703,846	\$ -	\$ 22,958,854

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *School Food Services Fund* *Nonmajor Special Revenue Fund*

June 30, 2017

With Comparative Totals for 2016

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and investments	\$ 6,786,317	\$ 4,470,144
Receivables:		
Other local	26,002	26,585
State of Utah	1,846,187	1,673,970
Federal government	171,335	212,815
Due from other funds	-	650,000
Inventories	1,591,777	1,586,119
Total assets	<u>\$ 10,421,618</u>	<u>\$ 8,619,633</u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 129,381</u>	<u>\$ 195,212</u>
<b>Fund balances:</b>		
Nonspendable:		
Inventories	1,591,777	1,586,119
Restricted for:		
School food services	<u>8,700,460</u>	<u>6,838,302</u>
Total fund balances	<u>10,292,237</u>	<u>8,424,421</u>
Total liabilities and fund balances	<u>\$ 10,421,618</u>	<u>\$ 8,619,633</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, 2017

With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Local sources:				
School lunch sales	\$ 7,680,300	\$ 7,646,736	\$ (33,564)	\$ 7,593,773
Other local	870,300	866,681	(3,619)	846,497
State of Utah	4,337,300	4,420,356	83,056	4,219,760
Federal sources:				
Federal government	10,218,400	9,887,749	(330,651)	9,621,951
Contributed food commodities	1,800,000	2,643,172	843,172	2,108,055
Total revenues	24,906,300	25,464,694	558,394	24,390,036
<b>Expenditures:</b>				
Current:				
Food	11,468,300	11,989,741	(521,441)	10,897,136
Salaries and benefits	10,207,300	9,576,740	630,560	9,271,903
Indirect charges	730,000	732,883	(2,883)	534,227
Other	2,500,700	1,297,514	1,203,186	1,391,227
Total expenditures	24,906,300	23,596,878	1,309,422	22,094,493
Excess of revenues over expenditures / net change in fund balances	-	1,867,816	1,867,816	2,295,543
<b>Fund balances - beginning</b>	8,424,421	8,424,421	-	6,128,878
<b>Fund balances - ending</b>	<u>\$ 8,424,421</u>	<u>\$ 10,292,237</u>	<u>\$ 1,867,816</u>	<u>\$ 8,424,421</u>

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *Student Activities Fund* *Nonmajor Special Revenue Fund*

June 30, 2017

With Comparative Totals for 2016

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and investments	\$ 11,099,473	\$ 7,207,787
Due from other funds	-	3,380,505
Total assets	<u>\$ 11,099,473</u>	<u>\$ 10,588,292</u>
<b>Liabilities:</b>		
Accounts payable	\$ 106,009	\$ 85,306
Unearned revenue - other local	30,693	506
Total liabilities	<u>136,702</u>	<u>85,812</u>
<b>Fund balances:</b>		
Committed to:		
Schools	<u>10,962,771</u>	<u>10,502,480</u>
Total fund balances	<u>10,962,771</u>	<u>10,502,480</u>
Total liabilities and fund balances	<u>\$ 11,099,473</u>	<u>\$ 10,588,292</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, 2017 With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Earnings on investments	\$ 222,800	\$ 222,720	\$ (80)	\$ 183,600
Student fees	14,504,700	14,112,880	(391,820)	13,109,075
Other local	2,900,700	2,860,932	(39,768)	2,597,783
Total revenues	17,628,200	17,196,532	(431,668)	15,890,458
<b>Expenditures:</b>				
Current:				
Salaries and benefits	1,280,000	1,272,295	7,705	1,207,789
Purchased services	2,225,400	2,138,216	87,184	2,180,584
Supplies and equipment	14,122,800	13,325,730	797,070	12,598,356
Total expenditures	17,628,200	16,736,241	891,959	15,986,729
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	460,291	460,291	(96,271)
<b>Fund balances - beginning</b>	10,502,480	10,502,480	-	10,598,751
<b>Fund balances - ending</b>	\$ 10,502,480	\$ 10,962,771	\$ 460,291	\$ 10,502,480

# DAVIS SCHOOL DISTRICT

## Comparative Balance Sheets *District Foundation Fund* *Nonmajor Special Revenue Fund*

June 30, 2017

With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and investments	<u>\$ 1,721,019</u>	<u>\$ 1,414,808</u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 17,173</u>	<u>\$ 14,327</u>
<b>Fund balances:</b>		
Assigned to:		
Foundation	<u>1,703,846</u>	<u>1,400,481</u>
Total fund balances	<u>1,703,846</u>	<u>1,400,481</u>
Total liabilities and fund balances	<u>\$ 1,721,019</u>	<u>\$ 1,414,808</u>

# DAVIS SCHOOL DISTRICT

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual District Foundation Fund

### Nonmajor Special Revenue Fund

Year Ended June 30, 2017

With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Local sources:				
Earnings on investments	\$ 10,700	\$ 13,716	\$ 3,016	\$ 5,056
Other local	1,928,100	1,896,929	(31,171)	1,571,233
Total revenues	1,938,800	1,910,645	(28,155)	1,576,289
<b>Expenditures:</b>				
Current:				
Purchased services	33,200	33,651	(451)	6,528
Grants and awards	1,085,700	1,209,419	-	1,019,974
Supplies and equipment	819,900	364,210	455,690	325,942
Total expenditures	1,938,800	1,607,280	455,239	1,352,444
Excess of revenues over expenditures / net change in fund balances	-	303,365	427,084	223,845
<b>Fund balances - beginning</b>	1,400,481	1,400,481	-	1,176,636
<b>Fund balances - ending</b>	\$ 1,400,481	\$ 1,703,846	\$ 427,084	\$ 1,400,481



# DAVIS SCHOOL DISTRICT

## Balance Sheet *Pass-Through Taxes Fund* *Nonmajor Special Revenue Fund*

June 30, 2017

With Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Receivables - property taxes	<u>\$ 9,706,279</u>	<u>\$ 7,715,906</u>
<b>Deferred inflows of resources:</b>		
Property taxes levied for future year	<u>\$ 9,706,279</u>	<u>\$ 7,715,906</u>
<b>Fund balances</b>	<u>-</u>	<u>-</u>
Total deferred inflows of resources and fund balances	<u>\$ 9,706,279</u>	<u>\$ 7,715,906</u>

# DAVIS SCHOOL DISTRICT

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual *Pass-Through Taxes Fund* *Nonmajor Special Revenue Fund* Year Ended June 30, 2017 With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Property taxes	\$ 9,000,000	\$ 7,471,295	\$ (1,528,705)	\$ 6,860,325
<b>Expenditures:</b>				
Current:				
Other	9,000,000	7,471,295	1,528,705	6,860,325
Excess of revenues over expenditures / net change in fund balances	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>