



## Independent Auditor's Report

Board of Education  
Davis School District

### **Report on the Basic Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School District (the District) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Davis School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 11 to the financial statements, in 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. At the time of adoption, the District did not allocate its net pension asset, deferred outflows of resources related to pensions, net pension liability, or deferred inflows of resources related to pensions to its *Enterprise Fund*. The beginning net position has been reported in the District's *Enterprise Fund* and government-wide financial statements have been restated to reflect the amounts allocated to the *Enterprise Fund*. 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 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 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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

*Squire + Company, PC*

Orem, Utah  
November 15, 2016

## **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, 2016. 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 \$121.0 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 7.1% in 2016 to \$167.2 million as a result of the combination of an increase in the taxable value of property and an increase in the state-mandated basic tax rate.
- During the year, expenses were \$28.8 million less than the \$576.7 million generated in taxes and other revenues for governmental activities.
- The District continued providing for its student growth by issuing \$68.5 million of new bonds. Of the \$68.5 million, \$37.5 was issued finishing the 2009 authorization (\$250.0 million) and \$31.0 million was issued from a new authorization passed by voters in November 2015 in the amount of \$298.0 million. New elementary schools in West Farmington (estimated cost of \$21.9 million) and West Kaysville (estimated cost of \$19.5 million) are anticipated to be complete for the 2016-2017 school year. The major projects funded in the 2015 bond authorization will be a high school in Farmington, a junior high school in West Layton, 2 new elementary schools and a rebuild of West Bountiful Elementary.
- 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, 2016, the District has committed \$20.0 million of the *General Fund* fund balance to economic stabilization. At June 30, 2016, the District has \$11.6 million of unassigned fund balances 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 three categories:

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *General Fund*, the *Debt Service Fund*, and the *Capital Projects Fund*, each of which are considered to be major funds. Data from the other three governmental funds (*School Food Services Fund*, *Student Activities Fund*, and *Tax Increment Program 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 \$121.0 million at the close of the most recent fiscal year.

**DAVIS SCHOOL DISTRICT'S Net Position**  
**June 30, 2016 and 2015**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Current and other assets Capital assets	\$ 391.5	\$ 340.0	\$ 7.3	\$ 8.1	\$ 398.8	\$ 348.1	\$ 50.7
	611.9	579.7	1.9	2.0	613.8	581.7	32.1
Total assets	1,003.4	919.7	9.2	10.1	1,012.6	929.8	82.8
Deferred outflows of resources	96.8	30.0	0.5	0.1	97.3	30.1	67.2
Current and other liabilities	81.4	63.8	0.1	0.5	81.5	64.3	17.2
Long-term liabilities outstanding	726.5	635.5	1.3	1.0	727.8	636.5	91.3
Total liabilities	807.9	699.3	1.4	1.5	809.3	700.8	108.5
Deferred inflows of resources	179.5	166.8	0.1	0.1	179.6	166.9	12.7
Net position:							
Net investment in capital assets	185.0	178.5	1.9	1.9	186.9	180.4	6.5
Restricted	51.7	44.4	-	-	51.7	44.4	7.3
Unrestricted	(123.9)	(139.3)	6.3	6.7	(117.6)	(132.6)	15.0
Total net position	<u>\$ 112.8</u>	<u>\$ 83.6</u>	<u>\$ 8.2</u>	<u>\$ 8.6</u>	<u>\$ 121.0</u>	<u>\$ 92.2</u>	<u>\$ 28.8</u>

The largest portion of the District's net position (\$186.9 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 (\$51.7 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 \$117.6 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 \$15.0 million during the current year. This net increase reflects an increase in resources available in the District's funds.
- Restricted net position increased by \$7.3 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 6.1% to \$576.7 million. Federal and state aid makes up 63.3% of the District's revenues; property taxes generate 29.0% of the District's revenues.
- The total cost of all programs and services increased by 7.7% to \$547.9 million. Instruction and support services make up 65.8% and 25.6%, respectively, of the District's expenses.

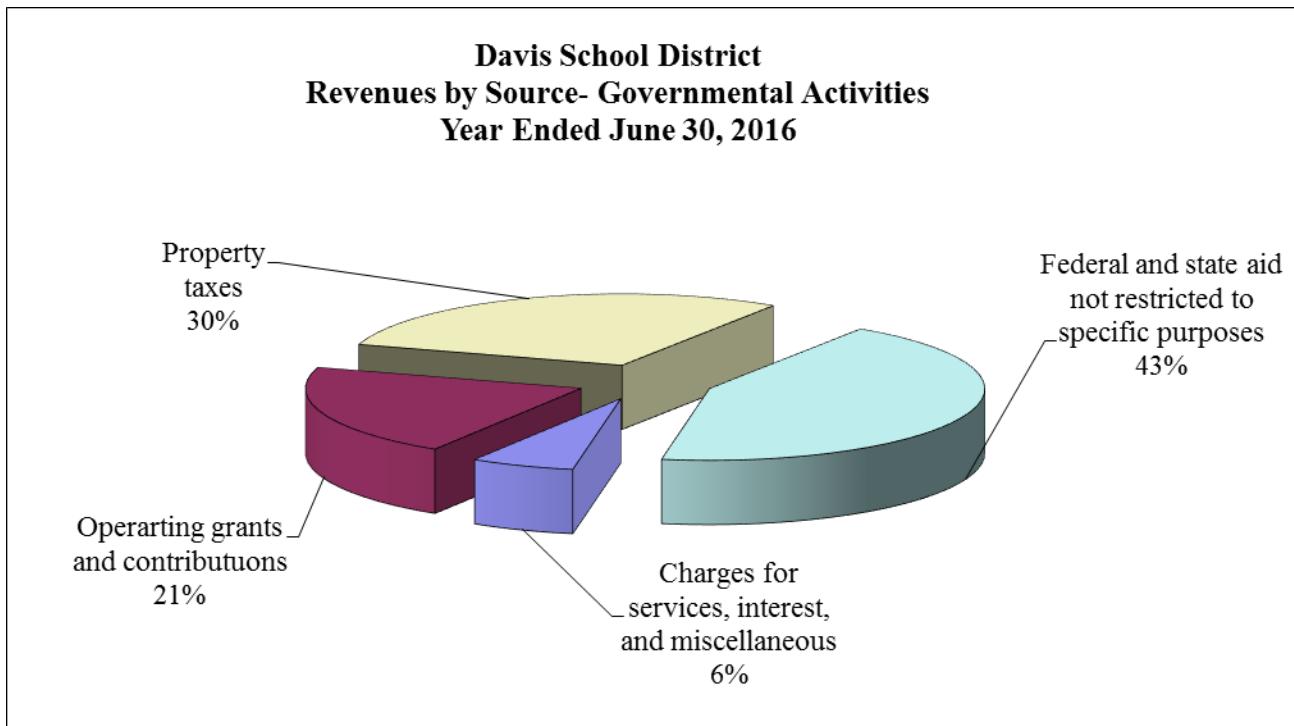
**DAVIS SCHOOL DISTRICT'S Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2015	2016	2015	2016	2015	2016-2015
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 15.3	\$ 15.0	\$ 10.0	\$ 14.5	\$ 25.3	\$ 29.5	\$ (4.2)
Operating grants and contributions	118.0	111.0	0.7	0.7	118.7	111.7	7.0
General revenues:							
Property taxes	167.2	156.1	-	-	167.2	156.1	11.1
Federal and state aid not restricted to specific purposes	246.3	227.2	-	-	246.3	227.2	19.1
Interest	1.3	0.7	-	-	1.3	0.7	0.6
Miscellaneous	17.9	18.2	-	-	17.9	18.2	(0.3)
Total revenues	<u>566.0</u>	<u>528.2</u>	<u>10.7</u>	<u>15.2</u>	<u>576.7</u>	<u>543.4</u>	<u>33.3</u>
<b>Expenses:</b>							
Instruction	360.3	325.9	-	-	360.3	325.9	34.4
Support services:							
Student	15.4	14.2	-	-	15.4	14.2	1.2
Instructional staff	19.9	17.7	-	-	19.9	17.7	2.2
administration School	3.0	3.0	-	-	3.0	3.0	-
administration Business	28.9	26.5	-	-	28.9	26.5	2.4
administration Operation and maintenance	14.6	13.3	-	-	14.6	13.3	1.3
of facilities	44.3	41.0	-	-	44.3	41.0	3.3
Student transportation	14.1	14.2	-	-	14.1	14.2	(0.1)
School food service	22.1	21.8	-	-	22.1	21.8	0.3
Interest on long-term liabilities	14.2	16.3	-	-	14.2	16.3	(2.1)
Pioneer Adult Rehab Center	-	-	11.1	14.8	11.1	14.8	(3.7)
Total expenses	<u>536.8</u>	<u>493.9</u>	<u>11.1</u>	<u>14.8</u>	<u>547.9</u>	<u>508.7</u>	<u>39.2</u>
Changes in net position	29.2	34.3	(0.4)	0.4	28.8	34.7	(5.9)
Net position, beginning	<u>83.6</u>	<u>49.3</u>	<u>8.6</u>	<u>8.2</u>	<u>92.2</u>	<u>57.5</u>	<u>34.7</u>
Net position, ending	<u><u>\$ 112.8</u></u>	<u><u>\$ 83.6</u></u>	<u><u>\$ 8.2</u></u>	<u><u>\$ 8.6</u></u>	<u><u>\$ 121.0</u></u>	<u><u>\$ 92.2</u></u>	<u><u>\$ 28.8</u></u>

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

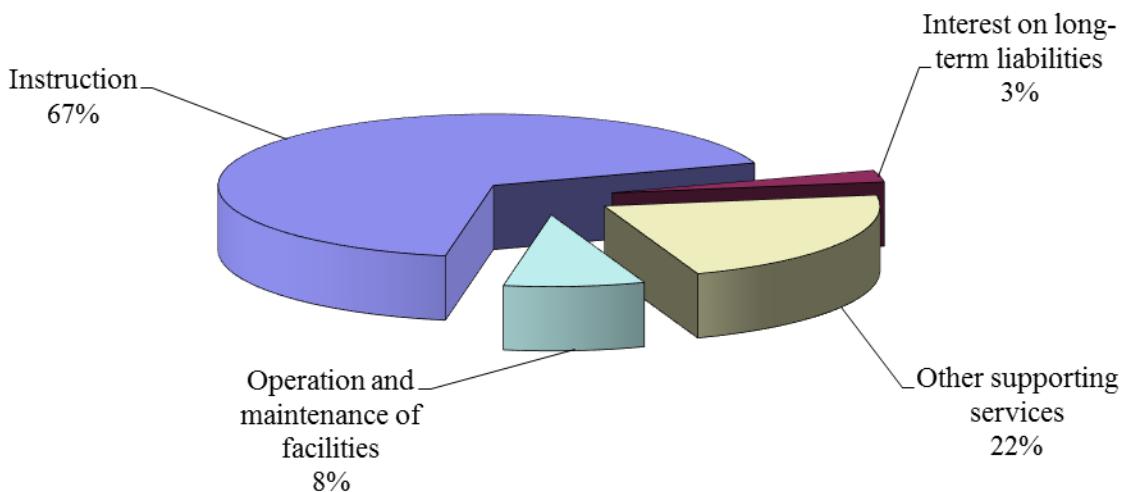
**Governmental activities.** The key elements of the increase in the District's net position for the year ended June 30, 2016 are as follows:

- Revenues increased \$37.8 million or 7.2% and continue to be primarily from federal and state aid and property taxes.
- Federal and state aid not restricted to specific purposes increased by 8.4% or \$19.1 million. Total federal aid increased 6.5% to \$44.4 million primarily due to spending levels. State aid is based primarily on weighted pupil units (WPUs) 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 4% from \$2,972 (2015) to \$3,092 (2016).
- Tax revenues increased to \$167.2 million or by 7.1%. 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 8.7%. 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, 2016**



**Business-type activities.** The \$0.4 million decrease in the District's net position for the year ended June 30, 2016 was a result of the operations of the Pioneer Adult Rehabilitation Center.

- Overall revenues decreased \$4.5 million and expenses decreased \$3.7 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 \$148.4 million, \$25.0 million more than the previous year. This increase was due primarily to increased revenue from the State of Utah and the issuance of \$68.5 million general obligation bonds offset by costs related to planned capital projects. The *Debt Service Fund* added \$1.1 million to fund balance. The *General Fund* had a \$6.9 million increase in fund balance. In addition, the following changes in revenues and expenditures should be noted:

- Revenues for general District purposes totaled \$446.5 million, an increase of 6.9%, during the current fiscal year. This increase is primarily due to increased revenues from the State of Utah. State revenues were up 6.3% 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 3.7% and up 33.0%, respectively. These increases were primarily a result of an increase in the taxable value of property.
- Expenditures for general District purposes totaled \$439.6 million, an increase of 6.9% during the current fiscal year. Instruction represents 68.8% of *General Fund* expenditures. Capital project expenditures were up 94.6% due to the construction of new elementary schools in West Farmington and West Kaysville and an addition at Millcreek Junior High School.

- *General Fund* salaries totaled \$262.8 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$127.9 million to arrive at 88.9% 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, 2016, the District's combined governmental fund balance is \$148.4 million (\$7.6 million in nonspendable, \$90.3 million in restricted, \$35.5 million in committed, \$3.4 million in assigned, and \$11.6 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 \$0.3 million or 0.1% in total *General Fund* expenditures.

During the year, final budgeted revenues were more than original budgetary estimates by \$5.7 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 \$0.5 million below final budgeted amounts. Additionally, revenues were \$1.3 million above the final budgeted amount. The final budget also anticipated an increase to fund balance of \$6.0 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 \$56.6 million for capital assets. Major projects include the construction of new elementary schools in West Farmington and West Kaysville and an addition at Millcreek Junior High School.

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 is also in the planning stages for a junior high school that will open in the fall of 2019.

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

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2016	2015	2016	2015	2016	2015	2016-2015
Land	\$ 55.0	\$ 48.7	\$ -	\$ -	\$ 55.0	\$ 48.7	\$ 6.3
Construction in progress	50.6	13.9	-	-	50.6	13.9	36.7
Buildings and improvements	495.1	506.7	1.8	1.9	496.9	508.6	(11.7)
Furniture and equipment	3.8	3.5	0.1	-	3.9	3.5	0.4
Transportation equipment	7.4	6.9	-	-	7.4	6.9	0.5
Total capital assets	<u>\$ 611.9</u>	<u>\$ 579.7</u>	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ 613.8</u>	<u>\$ 581.6</u>	<u>\$ 32.2</u>

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

**Debt Administration.** On November 3, 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 March 3, 2016 the District issued \$31.0 of this authorization to begin high school #10 and begin a remodel of Viewmont High School. On that same date, the District also issued the final \$37.5 million of the 2009 bond authorization (\$250.0 million) to complete two new elementary schools.

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, 2016 is \$1,220 million. General obligation debt, net of unamortized premiums, at June 30, 2016 is \$475.7 million, resulting in a legal debt margin of \$729.2 million.

**DAVIS SCHOOL DISTRICT'S Outstanding Debt**  
**June 30, 2016 and 2015**  
 (net of accumulated amortization in millions of dollars)

	Governmental activities		Total Change 2016-2015	
	2016	2015		
Net general obligation bonds	\$ 475.7	\$ 432.2	\$ 43.5	
Obligations under capital lease	-	0.1	(0.1)	
Total	<u>\$ 475.7</u>	<u>\$ 432.3</u>	<u>\$ 43.4</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 2036.

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

## **Changing Enrollment within the District**

Student enrollment counts are officially taken on October 1 of each year. Student growth continues to be moderate as reflected in the October 2016 count. The District anticipated growth of approximately 700 students for the 2016-17 school year; however, actual growth was 1,142 students. Growth continues to be focused in the northwest section of the District. The chart below reflects the counts taken between October 1, 2012 and October 1, 2016 and shows total student growth of 3,285 students over the five-year period, a 4.8% increase.

### **DAVIS SCHOOL DISTRICT'S Student Enrollment**

District fiscal year	2013	2014	2015	2016	2017	Total
October 1st enrollment	<u>68,342</u>	<u>68,571</u>	<u>69,139</u>	<u>69,879</u>	<u>71,021</u>	
Total enrollment change	<u>606</u>	<u>229</u>	<u>568</u>	<u>740</u>	<u>1,142</u>	<u>3,285</u>
Percentage change	<u>0.9%</u>	<u>0.3%</u>	<u>0.8%</u>	<u>1.1%</u>	<u>1.6%</u>	<u>4.8%</u>

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.

**DAVIS SCHOOL DISTRICT**

**Statement of Net Position**

June 30, 2016

	Primary Government			Component Unit
	Governmental Activities		Business-type Activities	District Foundation
<b>Assets:</b>				
Cash and investments	\$ 214,814,727	\$ 6,746,972	\$ 221,561,699	\$ 1,414,808
Receivables:				
Property taxes	160,144,325	-	160,144,325	-
Other local	315,311	485,941	801,252	-
State of Utah	2,676,006	-	2,676,006	-
Federal government	5,975,181	-	5,975,181	-
Inventories	7,588,613	47,602	7,636,215	-
Net pension asset	8,844	45	8,889	-
Capital assets:				
Land and construction in progress	105,636,796	-	105,636,796	-
Other capital assets, net of accumulated depreciation	506,237,858	1,922,205	508,160,063	-
Total assets	<u>1,003,397,661</u>	<u>9,202,765</u>	<u>1,012,600,426</u>	<u>1,414,808</u>
<b>Deferred outflows of resources:</b>				
Deferred charge on refunding	9,072,317	-	9,072,317	-
Related to pensions	87,717,431	451,150	88,168,581	-
Total deferred outflows of resources	<u>96,789,748</u>	<u>451,150</u>	<u>97,240,898</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	32,539,230	63,129	32,602,359	14,327
Accrued interest	1,250,360	-	1,250,360	-
Accrued salaries and benefits	40,855,094	-	40,855,094	-
Unearned revenue:				
Other local	506	-	506	-
State of Utah	6,715,150	-	6,715,150	-
Noncurrent liabilities:				
Due or payable within one year	43,602,664	38,024	43,640,688	-
Due or payable after one year	682,855,622	1,252,346	684,107,968	-
Total liabilities	<u>807,818,626</u>	<u>1,353,499</u>	<u>809,172,125</u>	<u>14,327</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for future year	155,079,687	-	155,079,687	-
Related to pensions	24,440,172	125,701	24,565,873	-
Total deferred inflows of resources	<u>179,519,859</u>	<u>125,701</u>	<u>179,645,560</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	185,028,083	1,922,205	186,950,288	-
Restricted for:				
Debt service	3,646,207	-	3,646,207	-
Capital projects	39,613,308	-	39,613,308	-
School food services	8,424,421	-	8,424,421	-
Scholarships and awards	-	-	-	1,400,481
Unrestricted	(123,863,095)	6,252,510	(117,610,585)	-
Total net position	<u>\$ 112,848,924</u>	<u>\$ 8,174,715</u>	<u>\$ 121,023,639</u>	<u>\$ 1,400,481</u>

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

**DAVIS SCHOOL DISTRICT**

**Statement of Activities**  
Year Ended June 30, 2016

Activities/Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Operating		Governmental Activities	Primary Government		Component Unit
	Charges for Services	Grants and Contributions		Business-type Activities	Total	
<b>Primary government activities:</b>						
<b>Governmental activities:</b>						
Instruction	\$ 359,887,370	\$ 6,509,349	\$ 80,393,752	\$ (272,984,269)	\$ (272,984,269)	
Supporting services:						
Students	15,389,400	-	4,897,791	(10,491,609)	(10,491,609)	
Instructional staff	19,896,958	-	4,981,082	(14,915,876)	(14,915,876)	
District administration	3,406,681	-	53,095	(3,353,586)	(3,353,586)	
School administration	28,852,782	-	1,095,461	(27,757,321)	(27,757,321)	
Central	14,580,029	-	1,920,939	(12,659,090)	(12,659,090)	
Operation and maintenance of facilities	44,283,161	317,443	825,926	(43,139,792)	(43,139,792)	
Student transportation	14,150,069	-	7,927,606	(6,222,463)	(6,222,463)	
School food service	22,144,738	8,440,270	15,949,766	2,245,298	2,245,298	
Interest on long-term liabilities	14,182,733	-	-	(14,182,733)	(14,182,733)	
Total governmental activities	536,773,921	15,267,062	118,045,419	(403,461,440)	(403,461,440)	
<b>Business-type activities:</b>						
Pioneer Adult Rehabilitation Center	11,223,145	9,993,209	732,755	-	\$ (497,181)	
Total primary government	\$ 547,997,066	\$ 25,260,271	\$ 118,778,174	(403,461,440)	(497,181)	(403,958,621)
<b>Component unit:</b>						
Davis School District Foundation	\$ 1,352,444	\$ -	\$ 1,571,233		\$ 218,789	
<b>General revenues:</b>						
Property taxes levied for:						
Basic			32,610,097	-	32,610,097	
Voted local			24,571,553	-	24,571,553	
Board local			37,634,821	-	37,634,821	
Debt service			48,146,166	-	48,146,166	
Capital outlay			17,337,683	-	17,337,683	
Tax increment			6,860,325	-	6,860,325	
Federal and state revenue not restricted to specific purposes			246,318,610	-	246,318,610	
Earnings on investments			1,326,808	48,823	1,375,631	
Miscellaneous			17,895,542	-	17,895,542	
Total general revenues	432,701,605		48,823		432,750,428	
Change in net position	29,240,165	(448,358)			28,791,807	223,845
<b>Net position - beginning, as restated</b>	83,608,759	8,623,073			92,231,832	1,176,636
<b>Net position - ending</b>	<b>\$ 112,848,924</b>	<b>\$ 8,174,715</b>	<b>\$ 121,023,639</b>	<b>\$ 1,400,481</b>		

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

**DAVIS SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds**

June 30, 2016

	<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	\$ 119,028,286	\$ 3,374,512	\$ 64,073,939	\$ 11,677,931	\$ 198,154,668
Receivables:					
Property taxes	90,597,102	45,323,105	16,508,212	7,715,906	160,144,325
Other local	288,726	-	-	26,585	315,311
State of Utah	1,002,036	-	-	1,673,970	2,676,006
Federal government	5,762,366	-	-	212,815	5,975,181
Inventories	6,002,494	-	-	1,586,119	7,588,613
Total assets	<u>\$ 222,681,010</u>	<u>\$ 48,697,617</u>	<u>\$ 109,749,121</u>	<u>\$ 26,923,831</u>	<u>\$ 408,051,579</u>
<b>Liabilities:</b>					
Accounts payable	\$ 6,919,809	\$ -	\$ 14,407,036	\$ 280,518	\$ 21,607,363
Accrued salaries and benefits	40,855,094	-	-	-	40,855,094
Due to other funds	33,197,475	-	-	-	33,197,475
Unearned revenue:					
Other local	-	-	-	506	506
State of Utah	6,715,150	-	-	-	6,715,150
Total liabilities	<u>87,687,528</u>	<u>-</u>	<u>14,407,036</u>	<u>281,024</u>	<u>102,375,588</u>
<b>Deferred inflows of resources:</b>					
Unavailable property tax revenue	1,272,840	646,989	233,026	-	2,152,855
Property taxes levied for future year	87,656,511	43,801,050	15,906,220	7,715,906	155,079,687
Total deferred inflows of resources	<u>88,929,351</u>	<u>44,448,039</u>	<u>16,139,246</u>	<u>7,715,906</u>	<u>157,232,542</u>
<b>Fund balances:</b>					
Nonspendable:					
Inventories	6,002,494	-	-	1,586,119	7,588,613
Restricted for:					
Debt service	-	4,249,578	-	-	4,249,578
Capital projects	-	-	79,202,839	-	79,202,839
School food services	-	-	-	6,838,302	6,838,302
Committed to:					
Workers compensation	500,000	-	-	-	500,000
Termination benefits	4,500,000	-	-	-	4,500,000
Schools	-	-	-	10,502,480	10,502,480
Economic stabilization	20,000,000	-	-	-	20,000,000
Assigned to:					
Programs	635,887	-	-	-	635,887
Schools	300,000	-	-	-	300,000
Medical insurance	2,500,000	-	-	-	2,500,000
Unassigned	<u>11,625,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,625,750</u>
Total fund balances	<u>46,064,131</u>	<u>4,249,578</u>	<u>79,202,839</u>	<u>18,926,901</u>	<u>148,443,449</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 222,681,010</u>	<u>\$ 48,697,617</u>	<u>\$ 109,749,121</u>	<u>\$ 26,923,831</u>	<u>\$ 408,051,579</u>

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

## DAVIS SCHOOL DISTRICT

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

June 30, 2016

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<b>Total fund balances for governmental funds</b>	<b>\$ 148,443,449</b>
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Total net position reported for governmental activities in the statement of net position is different because:

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

Land	\$ 55,053,367
Construction in progress	50,583,429
Buildings and improvements, net of \$360,146,173 accumulated depreciation	495,069,278
Furniture and equipment, net of \$15,343,659 accumulated depreciation	3,760,259
Transportation equipment, net of \$24,608,080 accumulated depreciation	<u>7,408,321</u>
	611,874,654

The net pension asset is not an available resource and therefore is not reported in the governmental funds. 8,844

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. 2,152,855

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (1,250,360)

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: 5,728,192

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	(460,010,000)
Deferred charge on refunding	9,072,317
Unamortized premiums	(15,731,445)
Accrued vacation	(4,837,182)
Accrued sick leave	(2,568,143)
Accrued personal leave	(1,446,593)
Early retirement payable	(9,044,235)
Net pension liability	(232,820,688)
Deferred outflows of resources related to pensions	87,717,431
Deferred inflows of resources related to pensions	<u>(24,440,172)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 112,848,924</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, 2016

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	<b>Major Governmental Funds</b>			<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>		
<b>Revenues:</b>					
Property taxes	\$ 95,052,673	\$ 48,315,623	\$ 17,401,892	\$ 6,860,325	\$ 167,630,513
Earnings on investments	620,624	-	522,584	183,600	1,326,808
Other local	8,736,925	-	141,295	16,553,355	25,431,575
School lunch sales	-	-	-	7,593,773	7,593,773
State of Utah	310,405,731	-	5,349,248	4,219,760	319,974,739
Federal government	31,631,894	1,027,390	-	11,730,006	44,389,290
Total revenues	<u>446,447,847</u>	<u>49,343,013</u>	<u>23,415,019</u>	<u>47,140,819</u>	<u>566,346,698</u>
<b>Expenditures:</b>					
Current:					
Instruction	302,319,756	-	-	22,847,054	325,166,810
Supporting services:					
Students	15,573,759	-	-	-	15,573,759
Instructional staff	20,244,708	-	-	-	20,244,708
District administration	2,505,646	-	-	-	2,505,646
School administration	28,518,964	-	-	-	28,518,964
Central	14,277,804	-	-	-	14,277,804
Operation and maintenance of facilities	43,268,575	-	-	-	43,268,575
Student transportation	12,881,560	-	-	-	12,881,560
School food service	-	-	-	22,094,493	22,094,493
Capital outlay	-	-	78,266,888	-	78,266,888
Debt service:					
Bond principal	-	33,230,000	-	-	33,230,000
Bond interest	-	14,949,568	-	-	14,949,568
Bond issuance costs	-	512,741	386,720	-	899,461
Capital lease payments	-	-	97,271	-	97,271
Fees and miscellaneous charges	-	36,400	-	-	36,400
Total expenditures	<u>439,590,772</u>	<u>48,728,709</u>	<u>78,750,879</u>	<u>44,941,547</u>	<u>612,011,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,857,075</u>	<u>614,304</u>	<u>(55,335,860)</u>	<u>2,199,272</u>	<u>(45,665,209)</u>
<b>Other financing sources (uses):</b>					
General obligation bonds issued	-	-	68,500,000	-	68,500,000
General obligation bonds premium	-	-	1,510,053	-	1,510,053
Refunding bonds issued	-	120,035,000	-	-	120,035,000
Refunding bonds premium	-	6,930,694	-	-	6,930,694
Refunded bonds escrow payment	-	(126,452,953)	-	-	(126,452,953)
Proceeds from sale of capital assets	-	-	137,256	-	137,256
Total other financing sources (uses)	-	512,741	70,147,309	-	70,660,050
Net change in fund balances	6,857,075	1,127,045	14,811,449	2,199,272	24,994,841
<b>Fund balances - beginning</b>	<u>39,207,056</u>	<u>3,122,533</u>	<u>64,391,390</u>	<u>16,727,629</u>	<u>123,448,608</u>
<b>Fund balances - ending</b>	<u>\$ 46,064,131</u>	<u>\$ 4,249,578</u>	<u>\$ 79,202,839</u>	<u>\$ 18,926,901</u>	<u>\$ 148,443,449</u>

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

## DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2016

<b>Net change in fund balances-total governmental funds</b>	\$ 24,994,841
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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	\$ 56,625,730
Gain on sale of capital assets	137,256
Proceeds from sale of capital assets	(137,256)
Depreciation expense	<u>(24,431,763)</u>
	32,193,967

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

Interest expense - capital leases	3,807
Principal payments on capital leases	<u>93,118</u>
	96,925

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	(188,535,000)
Bond premium	(8,440,747)
Amortization of deferred amounts on refunding	(1,491,142)
Amortization of bond premium	2,196,008
Repayment of bond principal	33,230,000
Refunded bonds escrow payment	126,452,953
Interest expense - general obligation bonds	<u>98,715</u>
	(36,489,213)

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.

(469,868)

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	(385,379)
Accrued sick and personal leave	(427,913)
Early retirement payable	126,492
Pension expense	<u>5,824,260</u>
	5,137,460

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 net position of this internal service fund is:

3,776,053

<b>Change in net position of governmental activities</b>	\$ 29,240,165
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The notes to basic financial statements are an integral part of this statement.

**DAVIS SCHOOL DISTRICT**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund**  
Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 89,584,800	\$ 90,373,600	\$ 95,052,673	\$ 4,679,073
Earnings on investments	245,400	500,000	620,624	120,624
Other local	9,551,400	9,220,600	8,736,925	(483,675)
State of Utah	311,161,800	315,198,200	310,405,731	(4,792,469)
Federal government	28,917,200	29,822,400	31,631,894	1,809,494
Total revenues	<u>439,460,600</u>	<u>445,114,800</u>	<u>446,447,847</u>	<u>1,333,047</u>
<b>Expenditures:</b>				
Current:				
Instruction	302,713,500	302,312,900	302,319,756	(6,856)
Supporting services:				
Students	16,075,300	15,478,100	15,573,759	(95,659)
Instructional staff	20,510,800	20,047,900	20,244,708	(196,808)
District administration	2,386,700	2,593,800	2,505,646	88,154
School administration	28,184,100	28,548,800	28,518,964	29,836
Central	13,945,900	13,895,200	14,277,804	(382,604)
Operation and maintenance of facilities	43,943,400	43,369,900	43,268,575	101,325
Student transportation	11,700,900	12,868,200	12,881,560	(13,360)
Total expenditures	<u>439,460,600</u>	<u>439,114,800</u>	<u>439,590,772</u>	<u>(475,972)</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	6,000,000	6,857,075	857,075
<b>Fund balances - beginning</b>	<u>39,207,056</u>	<u>39,207,056</u>	<u>39,207,056</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 39,207,056</u>	<u>\$ 45,207,056</u>	<u>\$ 46,064,131</u>	<u>\$ 857,075</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, 2016

With Comparative Totals for 2015

	Enterprise Fund - Pioneer Adult Rehab Center		Governmental Activities - Internal Service Funds			
			District Warehouse		Self Insurance	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current assets:						
Cash and investments	\$ 6,746,972	\$ 5,584,382	\$ -	\$ -	\$ 16,660,059	\$ 13,512,725
Receivables - other local	485,941	1,234,726	-	-	-	8,475
Inventories of supplies	47,602	1,315,425	-	-	-	-
Total current assets	<u>7,280,515</u>	<u>8,134,533</u>	<u>-</u>	<u>-</u>	<u>16,660,059</u>	<u>13,521,200</u>
Noncurrent assets:						
Net pension asset	45	613	-	-	-	-
Capital assets:						
Buildings and improvements	3,660,322	3,660,322	-	-	-	-
Equipment	673,917	593,049	-	-	-	-
Accumulated depreciation	(2,412,034)	(2,306,185)	-	-	-	-
Net capital assets	<u>1,922,205</u>	<u>1,947,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,922,250</u>	<u>1,947,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>9,202,765</u>	<u>10,082,332</u>	<u>-</u>	<u>-</u>	<u>16,660,059</u>	<u>13,521,200</u>
<b>Deferred outflows of resources:</b>						
Related to pensions	<u>451,150</u>	<u>140,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	63,129	497,690	-	-	10,931,867	11,569,061
Compensation liability	38,024	31,205	-	-	-	-
Total current liabilities	<u>101,153</u>	<u>528,895</u>	<u>-</u>	<u>-</u>	<u>10,931,867</u>	<u>11,569,061</u>
Noncurrent liabilities:						
Compensation liability	54,898	45,053	-	-	-	-
Net pension liability	1,197,448	937,892	-	-	-	-
Total noncurrent liabilities	<u>1,252,346</u>	<u>982,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,353,499</u>	<u>1,511,840</u>	<u>-</u>	<u>-</u>	<u>10,931,867</u>	<u>11,569,061</u>
<b>Deferred inflows of resources:</b>						
Related to pensions	<u>125,701</u>	<u>87,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets	1,922,205	1,947,186	-	-	-	-
Unrestricted, as restated	6,252,510	6,675,887	-	-	5,728,192	1,952,139
Total net position	<u>\$ 8,174,715</u>	<u>\$ 8,623,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,728,192</u>	<u>\$ 1,952,139</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, 2016  
With Comparative Totals for 2015

	Enterprise Fund - Pioneer Adult Rehab Center		Governmental Activities - Internal Service Funds			
			District Warehouse		Self Insurance	
	2016	2015	2016	2015	2016	2015
<b>Operating revenues:</b>						
Charges for services	\$ 9,137,050	\$ 13,475,262	\$ -	\$ -	\$ 62,847,954	\$ 30,729,652
Other local	856,159	984,935	-	-	-	-
Total operating revenues	<u>9,993,209</u>	<u>14,460,197</u>	<u>-</u>	<u>-</u>	<u>62,847,954</u>	<u>30,729,652</u>
<b>Operating expenses:</b>						
Salaries and benefits	6,136,814	5,568,768	-	-	-	-
Depreciation	105,849	110,045	-	-	-	-
Indirect charges	382,443	491,823	-	-	-	-
Other	4,598,039	7,579,870	-	-	59,071,901	28,777,513
Total operating expenses	<u>11,223,145</u>	<u>13,750,506</u>	<u>-</u>	<u>-</u>	<u>59,071,901</u>	<u>28,777,513</u>
Operating income (loss)	<u>(1,229,936)</u>	<u>709,691</u>	<u>-</u>	<u>-</u>	<u>3,776,053</u>	<u>1,952,139</u>
<b>Nonoperating income (expense):</b>						
Earnings on investments	48,823	11,800	-	-	-	-
State of Utah subsidies	732,755	731,952	-	-	-	-
Contribution to other fund	-	-	-	(1,454,016)	-	-
Total nonoperating income (expense)	<u>781,578</u>	<u>743,752</u>	<u>-</u>	<u>(1,454,016)</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(448,358)</u>	<u>1,453,443</u>	<u>-</u>	<u>(1,454,016)</u>	<u>3,776,053</u>	<u>1,952,139</u>
<b>Transfer in</b>						
Change in net position	<u>(448,358)</u>	<u>1,453,443</u>	<u>-</u>	<u>(1,358,981)</u>	<u>3,776,053</u>	<u>1,952,139</u>
<b>Total net position - beginning, as restated</b>	<b>8,623,073</b>	<b>7,169,630</b>	<b>-</b>	<b>1,358,981</b>	<b>1,952,139</b>	<b>-</b>
<b>Total net position - ending</b>	<b>\$ 8,174,715</b>	<b>\$ 8,623,073</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,728,192</b>	<b>\$ 1,952,139</b>

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, 2016

	Enterprise Fund - Pioneer Adult Rehab Center		Governmental Activities - Internal Service Funds			
			District Warehouse		Self Insurance	
	2016	2015	2016	2015	2016	2015
<b>Cash flows from operating activities:</b>						
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ 79,266	\$ 62,856,429	\$ 30,721,177
Receipts from customers	10,741,994	14,269,343	-	-	-	-
Payments to suppliers	(4,147,220)	(8,168,591)	-	-	(59,709,095)	(17,208,452)
Payments to employees	(6,132,894)	(5,654,068)	-	(110,441)	-	-
Net cash provided (used) by operating activities	461,880	446,684	-	(31,175)	3,147,334	13,512,725
<b>Cash flows from noncapital financing activities:</b>						
Transfer from general fund	-	-	-	95,035	-	-
Repayment of due to other funds	-	-	-	(64,804)	-	-
Receipt of state subsidies	732,755	731,952	-	-	-	-
Net cash provided by noncapital financing activities	732,755	731,952	-	30,231	-	-
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(80,868)	(6,661)	-	-	-	-
<b>Cash flows from investing activities:</b>						
Receipt of earnings on investments	48,823	11,800	-	-	-	-
Net change in cash and cash equivalents	1,162,590	1,183,775	-	(944)	3,147,334	13,512,725
<b>Cash and cash equivalents - beginning</b>	<b>5,584,382</b>	<b>4,400,607</b>	<b>-</b>	<b>944</b>	<b>13,512,725</b>	<b>-</b>
<b>Cash and cash equivalents - ending (displayed as cash and investments on the statements of fund net position)</b>	<b>\$ 6,746,972</b>	<b>\$ 5,584,382</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,660,059</b>	<b>\$ 13,512,725</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (1,229,936)	\$ 709,691	\$ -	\$ -	\$ 3,776,053	\$ 1,952,139
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	105,849	110,045	-	-	-	-
Pension expense	(12,744)	(75,940)	-	-	-	-
Changes in operating assets and liabilities:						
Accounts receivable	748,785	(190,854)	-	79,266	8,475	(8,475)
Inventories	1,267,823	106,255	-	4,207,807	-	-
Accounts payable	(434,561)	(203,153)	-	(569,343)	(637,194)	11,569,061
Compensation liability	16,664	(9,360)	-	(30,231)	-	-
Due to other funds	-	-	-	(3,718,674)	-	-
Total adjustments	1,691,816	(263,007)	-	(31,175)	(628,719)	11,560,586
Net cash provided (used) by operating activities	<b>\$ 461,880</b>	<b>\$ 446,684</b>	<b>\$ -</b>	<b>\$ (31,175)</b>	<b>\$ 3,147,334</b>	<b>\$ 13,512,725</b>
Noncash investing, capital, and financing activities	<b>none</b>	<b>none</b>	<b>none</b>	<b>none</b>	<b>none</b>	<b>none</b>

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

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

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

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the *District 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*

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reported in the governmental funds are equally offset by a nonspendable portion of fund balance, indicating that they are not expected to be converted to cash.

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

**Capital assets** – Capital assets, which include land, buildings and improvements, furniture and equipment, and transportation equipment are reported in the government-wide financial statements and proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment, and transportation equipment and \$100,000 for buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and improvements, furniture and equipment, and transportation equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

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

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

**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 URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

**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; these items are reported in the statement of net position.

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an 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, 2016 for the following school year.

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

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- 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, and c) 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

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

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commitment is necessary to maintain liquidity (i.e., reducing any disparity between when financial resources are available to make payments and the maturity of related liabilities). Also defined by state law, the commitment is not to be used “in the negotiation or settlement of contract salaries for school district employees” and the use of this reserve requires a written resolution adopted by a majority vote of the Board of Education filed with the Utah State Board of Education and the Utah State Auditor.

- 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 and for schools 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, 2016, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 29,089,910
Carrying amount of investments	<u>193,886,597</u>
Total cash and investments	<u><u>\$ 222,976,507</u></u>
Governmental funds cash and investments	\$ 198,154,668
Enterprise funds cash and investments	6,746,972
Internal service funds cash and investments	<u>16,660,059</u>
Primary government	221,561,699
Component unit cash and investments	<u>1,414,808</u>
Total cash and investments	<u><u>\$ 222,976,507</u></u>

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

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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, 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, 2016, the District and the Foundation have the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Davis School District	\$ 27,687,035	\$ 31,818,263	\$ 250,000
Davis School District Foundation, a component unit of the District	1,402,875	1,402,875	-
<b>Total deposits</b>	<b>\$ 29,089,910</b>	<b>\$ 33,221,138</b>	<b>\$ 250,000</b>

- Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2016, the uninsured amount of the District's and Foundation's 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, 2016, the District has \$184,604,323 invested in the Utah Public Treasurers' Investment Fund; the PTIF is not rated. The District has \$5,608,356 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 \$3,661,985 invested in corporate bonds rated BBB+ and Baa1 or higher by Standard & Poor's and Moody's

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**Notes to Basic Financial Statements**  
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Investors Service, Inc., respectively. The Davis School District Foundation has \$11,933 invested in mutual funds that are unrated.

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
<b>Davis School District:</b>			
Utah Public Treasurers'			
Investment Fund (PTIF)	\$ 184,604,323	\$ 184,604,323	\$ -
Government agencies	5,608,356	-	5,608,356
Corporate bonds	3,661,985	-	3,661,985
Total District	193,874,664	184,604,323	9,270,341
<b>Davis School District Foundation, a component unit of the District</b>			
Mutual funds investing in:			
Taxable bonds	2,097	2,097	-
International stock	9,836	9,836	-
Total Foundation	11,933	11,933	-
Total investments	<u>\$ 193,886,597</u>	<u>\$ 184,616,256</u>	<u>\$ 9,270,341</u>

- Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years. 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.

**DAVIS SCHOOL DISTRICT**  
**Notes to Basic Financial Statements**  
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Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

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

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

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

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

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

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

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

- U.S. Treasury securities of \$5,608,356 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$3,661,985 are valued using a matrix pricing model (Level 2 inputs).
- Public Treasurers' Investment Fund position of \$184,604,323 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, 2016:

- Mutual funds of \$11,933 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

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

**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, 2016, incremental taxes levied by the District for the redevelopment agencies totaling \$6,860,325 were recorded as revenue with an equivalent amount of expenditure for instruction in the other governmental funds (in the *Tax Increment Program Fund*).

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**Notes to Basic Financial Statements**  
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## 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 48,746,923	\$ 6,306,444	\$ -	\$ 55,053,367
Construction in progress	<u>13,916,810</u>	<u>46,656,774</u>	<u>(9,990,155)</u>	<u>50,583,429</u>
Total capital assets, not being depreciated	<u>62,663,733</u>	<u>52,963,218</u>	<u>(9,990,155)</u>	<u>105,636,796</u>
Capital assets, being depreciated:				
Buildings and improvements	845,225,296	9,990,155	-	855,215,451
Furniture and equipment	17,881,552	1,449,688	(227,322)	19,103,918
Transportation equipment	<u>32,789,901</u>	<u>2,212,824</u>	<u>(2,986,324)</u>	<u>32,016,401</u>
Total capital assets, being depreciated	<u>895,896,749</u>	<u>13,652,667</u>	<u>(3,213,646)</u>	<u>906,335,770</u>
Accumulated depreciation for:				
Buildings and improvements	(338,666,267)	(21,479,906)	-	(360,146,173)
Furniture and equipment	(14,366,175)	(1,204,806)	227,322	(15,343,659)
Transportation equipment	<u>(25,847,353)</u>	<u>(1,747,051)</u>	<u>2,986,324</u>	<u>(24,608,080)</u>
Total accumulated depreciation	<u>(378,879,795)</u>	<u>(24,431,763)</u>	<u>3,213,646</u>	<u>(400,097,912)</u>
Total capital assets, being depreciated, net	<u>517,016,954</u>	<u>(10,779,096)</u>	<u>-</u>	<u>506,237,858</u>
Governmental activity capital assets, net	<u>\$ 579,680,687</u>	<u>\$ 42,184,122</u>	<u>\$ (9,990,155)</u>	<u>\$ 611,874,654</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,660,322	\$ -	\$ -	\$ 3,660,322
Furniture and equipment	<u>593,049</u>	<u>80,868</u>	<u>-</u>	<u>673,917</u>
Total capital assets, being depreciated	<u>4,253,371</u>	<u>80,868</u>	<u>-</u>	<u>4,334,239</u>
Accumulated depreciation for:				
Buildings and improvements	(1,735,523)	(95,388)	-	(1,830,911)
Furniture and equipment	<u>(570,662)</u>	<u>(10,461)</u>	<u>-</u>	<u>(581,123)</u>
Total accumulated depreciation	<u>(2,306,185)</u>	<u>(105,849)</u>	<u>-</u>	<u>(2,412,034)</u>
Business-type activity capital assets, net	<u>\$ 1,947,186</u>	<u>\$ (24,981)</u>	<u>\$ -</u>	<u>\$ 1,922,205</u>

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**Notes to Basic Financial Statements**  
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For the year ended June 30, 2016, depreciation expense was charged to functions of the District as follows:

**Governmental activities:**

Instruction	\$ 18,961,729
Supporting services:	
Students	187,404
Instructional staff	104,846
District administration	36,033
School administration	1,033,439
Central	796,890
Operation and maintenance of facilities	1,622,461
Student transportation	1,444,592
School food services	<u>244,369</u>
Total depreciation expense, governmental activities	<u>\$ 24,431,763</u>

**Business-type activities:**

Pioneer Adult Rehabilitation Center	<u>\$ 105,849</u>
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The District is obligated at June 30, 2016 under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Canyon Creek Elementary (#61)	\$ 21,856,434	\$ 20,206,620	\$ 1,649,814
Kay's Creek Elementary (#62)	19,467,052	18,980,973	486,079
Woods Cross High Addition	8,678,414	789,688	7,888,726
High School #10	79,752,758	9,889,715	69,863,043
Viewmont High renovation	<u>7,615,947</u>	<u>716,433</u>	<u>6,899,514</u>
	<u>\$ 137,370,605</u>	<u>\$ 50,583,429</u>	<u>\$ 86,787,176</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

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

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

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

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

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

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

Employees can make additional contributions to defined contribution plans subject to limitations. For the year ended June 30, 2016, District and employee contributions to the plans were as follows:

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**Notes to Basic Financial Statements**  
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	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 44,466,708	\$ -
Tier 1 Contributory System	279,041	15,765
Tier 2 Contributory System	5,662,572	-
401(k) Plan	4,686,437	3,252,542
457 Plan and other individual plans	-	693,619

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

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At June 30, 2016, the District reported a net pension asset of \$8,890 and a net pension liability of \$234,018,136 for the following plans:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	7.3414109%	\$ -	\$ 230,614,740
Tier 1 Contributory System	5.4310774%	-	3,403,396
Tier 2 Contributory System	4.0722871%	<u>8,890</u>	-
Total		<u>\$ 8,890</u>	<u>\$ 234,018,136</u>

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

For the year ended June 30, 2016, the District recognized pension expense of \$45,054,636 for the defined benefit pension plans and pension expense of \$4,686,437 for the defined contribution plans. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 18,118,225
Changes of assumptions	- -	4,584,023
Net difference between projected and actual earnings on pension plan investments	61,984,041	-
Changes in proportion and differences between contributions and proportionate share of contributions	152,336	1,863,625
District contributions subsequent to the measurement date	26,032,204	-
Total	<u>\$ 88,168,581</u>	<u>\$ 24,565,873</u>

The \$26,032,204 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 7,961,654
2018	7,961,654
2019	8,582,868
2020	13,198,555
2021	(24,688)
Thereafter	(109,539)

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

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

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

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

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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:

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	<u><u>100%</u></u>		5.23%
Inflation			<u><u>2.75%</u></u>
Expected arithmetic nominal return			<u><u>7.98%</u></u>

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

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

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

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	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 417,403,971	\$ 230,614,740	\$ 73,991,721
Tier 1 Contributory System	7,695,154	3,403,396	(237,258)
Tier 2 Contributory System	1,630,229	(8,890)	(1,251,189)
Total	<u><u>\$ 426,729,354</u></u>	<u><u>\$ 234,009,246</u></u>	<u><u>\$ 72,503,274</u></u>

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

**Payables to the pension plans** – At June 30, 2016, the District reported payables of \$11,466,583 for contributions to defined benefit pension plans and defined contribution plans.

## 7. RISK MANAGEMENT

Effective January 1, 2015, the District became self-insured for health insurance benefits of qualified employees. The District continues to be self-insured for dental insurance benefits of qualified District employees. During 2015, 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 \$10,931,867 as of June 30, 2016. This liability is based on experience and information provided by the plan administrator. The following table shows a history of accrued claims payable for the years ended June 30, 2016 and 2015:

	2016	2015
Beginning accrued claim payable	\$ 11,569,061	\$ -
Claims (including incurred but not reported)	59,071,900	28,777,513
Payment of claims and administrative costs	<u>(59,709,094)</u>	<u>(17,208,452)</u>
Ending accrued claims payable	<u><u>\$ 10,931,867</u></u>	<u><u>\$ 11,569,061</u></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, 2016, the District paid worker's compensation claims in the amount of \$1,006,346. 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

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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 reinsurance 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.

## 8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 420,660,000	\$ 188,535,000	\$(149,185,000)	\$ 460,010,000	\$ 34,865,000
Deferred amounts for issuance premium	<u>11,519,325</u>	<u>8,440,747</u>	<u>(4,228,627)</u>	<u>15,731,445</u>	<u>-</u>
Total bonds payable, net	<u>432,179,325</u>	<u>196,975,747</u>	<u>(153,413,627)</u>	<u>475,741,445</u>	<u>34,865,000</u>
Obligations under capital lease	93,118	-	(93,118)	-	-
Accrued vacation	4,451,803	3,160,986	(2,775,607)	4,837,182	3,015,883
Accrued sick leave	2,143,073	816,184	(391,114)	2,568,143	468,690
Accrued personal leave	1,443,750	746,188	(743,345)	1,446,593	744,809
Early retirement payable	9,170,727	4,782,721	(4,909,213)	9,044,235	4,508,282
Net pension liability	<u>185,902,604</u>	<u>97,576,997</u>	<u>(50,658,913)</u>	<u>232,820,688</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 635,384,400</u>	<u>\$ 304,058,823</u>	<u>\$(212,984,937)</u>	<u>\$ 726,458,286</u>	<u>\$ 43,602,664</u>
<b>Business-type activities:</b>					
Accrued vacation	\$ 64,892	\$ 94,332	\$ (80,288)	\$ 78,936	\$ 32,301
Accrued sick leave	9,287	3,985	(251)	13,021	5,328
Accrued personal leave	2,099	1,056	(2,190)	965	395
Net pension liability	<u>937,892</u>	<u>492,283</u>	<u>(232,727)</u>	<u>1,197,448</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 1,014,170</u>	<u>\$ 591,656</u>	<u>\$ (315,456)</u>	<u>\$ 1,290,370</u>	<u>\$ 38,024</u>

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

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**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, 2016, including interest payments, are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 34,865,000	\$ 16,660,115	\$ 51,525,115
2018	33,205,000	14,921,926	48,126,926
2019	33,755,000	13,795,897	47,550,897
2020	33,770,000	12,692,766	46,462,766
2021	32,640,000	11,577,108	44,217,108
2022-2026	128,345,000	43,998,638	172,343,638
2027-2031	118,120,000	20,202,346	138,322,346
2032-2035	<u>45,310,000</u>	<u>3,921,819</u>	<u>49,231,819</u>
Total	<u>\$ 460,010,000</u>	<u>\$ 137,770,616</u>	<u>\$ 597,780,616</u>

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

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General obligation school building bonds payable at June 30, 2016 with their outstanding balances are comprised of the following individual issues:

Bond Series 2005B - GO Refunding Bonds - original issue of \$24,905,000 with interest rates ranging from 3.25% to 5.0%	\$ 3,685,000
Bond Series 2007 - GO Bonds - original issue of \$55,000,000 with interest rates ranging from 4.0% to 5.0%	5,100,000
Bond Series 2008 - GO Bonds - original issue of \$64,000,000 with interest rates ranging from 3.0% to 5.0%	2,800,000
Bond Series 2009 - GO Bonds - original issue of \$43,000,000 with interest rates ranging from 2.0% to 5.0%	3,575,000
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)	64,305,000
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%	15,540,000
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%	16,705,000
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%	66,360,000
Bond Series 2015C - GO Refunding Bonds - original issue of \$53,010,000 with interest rate of 1.72%	51,885,000
Bond Series 2016 - GO Bonds - original issue of \$68,500,000 with interest rates ranging from 2.0% to 3.375%	<u>68,500,000</u> <u>\$ 460,010,000</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, 2016 is \$1,220,649,568 with general obligation debt outstanding, net of issuance premiums, of \$491,472,890, resulting in a legal debt margin of \$729,176,678.

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.

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

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**Bond issuance** – On March 3, 2016, the District issued \$68,500,000 of general obligation school building bonds with a premium of \$1,510,053. The bonds were issued at an effective interest rate of 2.63% (annual rates range between 2.0% and 3.375%) and will mature on June 1, 2036.

**Advance refunding** – On August 27, 2015, the District issued \$120,035,000 of general obligation refunding bonds with a premium of \$6,930,694. The bonds were issued with interest rates ranging from 1.8% to 5.0% and will mature June 2029. The District issued the bonds to advance refund \$20,125,000, \$29,200,000, \$41,055,000, and \$25,575,000 of outstanding Series 2006, Series 2007, Series 2008, and Series 2009 general obligation bonds, respectively. The District deposited the net proceeds along with other resources in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2006, Series 2007, Series 2008, and Series 2009 general obligation bonds. As a result, that portion of the Series 2006, Series 2007, Series 2008, and Series 2009 general obligation is considered defeased, and the District has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 13 years by \$8,463,606. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$7,547,073.

**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, 2016 and 2015 the District's direct payments to retirees were \$2,967,086 and \$2,390,338 and payments of insurance premiums on behalf of retirees were \$1,942,127 and \$1,565,727, 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, 2016. Expenditures in the *General Fund* and *Student Activities Fund*, (a special revenue fund reported in other governmental funds) exceeded budgeted amounts by \$475,972 and \$206,729, respectively, for the year ended June 30, 2016.

## **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.

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

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## **11. RESTATEMENT**

In 2015, the District adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. At the time of adoption, the District did not allocate its net pension asset, deferred outflows of resources related to pensions, net pension liability, or deferred inflows related to pensions to its *Enterprise Fund*. The beginning net position reported in the District's *Enterprise Fund* and government-wide financial statements have been restated to reflect the amounts allocated to the *Enterprise Fund*:

	Enterprise Fund -		Primary Government		
	Pioneer Adult		Governmental		Business-type
	Rehab Center		Activities	Activities	Total
Beginning net position, as previously stated	\$ 9,507,771		\$ 82,724,061	\$ 9,507,771	\$ 92,231,832
Net pension asset	613		(613)	613	-
Deferred inflows of resources related to pensions	140,500		(140,500)	140,500	-
Net pension liability	(937,892)		937,892	(937,892)	-
Deferred outflows of resources related to pensions	(87,919)		87,919	(87,919)	-
Beginning net position, as restated	<u>\$ 8,623,073</u>		<u>\$ 83,608,759</u>	<u>\$ 8,623,073</u>	<u>\$ 92,231,832</u>

## **12. SUBSEQUENT EVENT**

In October 2016, Utah Retirement Systems (URS) completed its review on the eligibility of *Pioneer Adult Rehab Center* program employees. URS concluded that the program employees were eligible to participate in URS and has therefore notified the *Pioneer Adult Rehab Center* (an enterprise fund of the District) that it is owes \$1,563,494 in retirement contributions and \$271,440 in accrued interest. The District is disputing the determination made by URS and, as a result, no amount have been recognized as a liability in the District's financial statements.

## DAVIS SCHOOL DISTRICT

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

Plan Years Ended December 31, 2015 and 2014

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	2015	2014
<b>Tier 1 Noncontributory System</b>		
District's proportion of the net pension liability (asset)	7.3414109%	7.4134528%
District's proportion share of the net pension liability (asset)	\$ 230,614,740	\$ 186,265,127
District's covered employee payroll	\$ 201,027,809	\$ 207,180,521
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	114.7%	89.9%
Plan fiduciary net position as a percentage of the total pension liability	84.5%	87.2%
<b>Tier 1 Contributory System</b>		
District's proportion of the net pension liability (asset)	5.4310774%	5.2473969%
District's proportion share of the net pension liability (asset)	\$ 3,403,396	\$ 575,369
District's covered employee payroll	\$ 1,720,443	\$ 1,924,123
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	197.8%	29.9%
Plan fiduciary net position as a percentage of the total pension liability	92.4%	98.7%
<b>Tier 2 Contributory System</b>		
District's proportion of the net pension liability (asset)	4.0722871%	4.0284960%
District's proportion share of the net pension liability (asset)	\$ (8,890)	\$ (122,081)
District's covered employee payroll	\$ 26,295,729	\$ 19,714,988
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%

Note: The schedule only presents information for 2015 and 2014; prior-year information is not available.

**DAVIS SCHOOL DISTRICT**

**Schedule of District Contributions –  
Utah Retirement Systems**  
Years Ended June 30, 2016 and 2015

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	<b>2016</b>	<b>2015</b>
<b>Tier 1 Noncontributory System</b>		
Contractually required contribution	\$ 44,466,708	\$ 43,924,810
Contributions in relation to the contractually required contribution	<u>(44,466,708)</u>	<u>(43,924,810)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 203,305,674	\$ 203,539,652
Contributions as a percentage of covered-employee payroll	21.9%	21.6%
<b>Tier 1 Contributory System</b>		
Contractually required contribution	\$ 279,041	\$ 323,810
Contributions in relation to the contractually required contribution	<u>(279,041)</u>	<u>(323,810)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,576,505	\$ 1,858,776
Contributions as a percentage of covered-employee payroll	17.7%	17.4%
<b>Tier 2 Contributory System</b>		
Contractually required contribution	\$ 6,160,316	\$ 4,551,043
Contributions in relation to the contractually required contribution	<u>(6,160,316)</u>	<u>(4,551,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 36,010,273	\$ 26,761,238
Contributions as a percentage of covered-employee payroll	28.3%	27.9%

Notes: The schedule only presents information for 2016 and 2015; prior-year information is not available.

Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

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

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

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

# **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.

**Tax Increment Program Fund** – This 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.

**DAVIS SCHOOL DISTRICT**

**Comparative Balance Sheets**

***General Fund***

June 30, 2016

With Comparative Totals for 2015

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 119,028,286	\$ 69,895,863
Receivables:		
Property taxes	90,597,102	88,295,678
Other local	288,726	287,494
State of Utah	1,002,036	728,352
Federal government	5,762,366	3,940,138
Inventories	<u>6,002,494</u>	<u>5,671,302</u>
Total assets	<u>\$ 222,681,010</u>	<u>\$ 168,818,827</u>
<b>Liabilities:</b>		
Accounts payable	\$ 6,919,809	\$ 1,060,567
Notes payable		
Accrued salaries and benefits	40,855,094	38,936,582
Unearned revenue:		
State of Utah	6,715,150	4,460,313
Due to other funds	<u>33,197,475</u>	-
Total liabilities	<u>87,687,528</u>	<u>44,457,462</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable property tax revenue	1,272,840	1,509,042
Property taxes levied for future year	<u>87,656,511</u>	<u>83,645,267</u>
Total deferred inflows of resources	<u>88,929,351</u>	<u>85,154,309</u>
<b>Fund Balances:</b>		
Nonspendable:		
Inventories	6,002,494	5,671,302
Committed to:		
Workers compensation	500,000	500,000
Termination benefits	4,500,000	4,500,000
Economic stabilization	20,000,000	4,500,000
Assigned to:		
Programs	635,887	788,661
Schools	300,000	250,000
Medical insurance	2,500,000	4,500,000
Unassigned	<u>11,625,750</u>	<u>18,497,093</u>
Total fund balances	<u>46,064,131</u>	<u>39,207,056</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 222,681,010</u>	<u>\$ 168,818,827</u>

## DAVIS SCHOOL DISTRICT

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

Year Ended June 30, 2016  
With Comparative Totals for 2015

	<b>2016</b>		<b>2015</b>	
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Property taxes	\$ 90,373,600	\$ 95,052,673	\$ 4,679,073	\$ 86,041,055
Earnings on investments	500,000	620,624	120,624	372,656
Other local	9,220,600	8,736,925	(483,675)	9,410,030
State of Utah	315,198,200	310,405,731	(4,792,469)	292,128,732
Federal government	<u>29,822,400</u>	<u>31,631,894</u>	<u>1,809,494</u>	<u>29,530,441</u>
Total revenues	<u>445,114,800</u>	<u>446,447,847</u>	<u>1,333,047</u>	<u>417,482,914</u>
<b>Expenditures:</b>				
Current:				
Instruction	302,312,900	302,319,756	(6,856)	282,326,073
Supporting services:				
Students	15,478,100	15,573,759	(95,659)	14,694,917
Instructional staff	20,047,900	20,244,708	(196,808)	18,445,968
District administration	2,593,800	2,505,646	88,154	2,325,792
School administration	28,548,800	28,518,964	29,836	26,766,307
Central	13,895,200	14,277,804	(382,604)	12,960,814
Operation and maintenance of facilities	43,369,900	43,268,575	101,325	40,514,129
Student transportation	<u>12,868,200</u>	<u>12,881,560</u>	<u>(13,360)</u>	<u>13,168,618</u>
Total expenditures	<u>439,114,800</u>	<u>439,590,772</u>	<u>(475,972)</u>	<u>411,202,618</u>
Excess (deficiency) of revenues over under expenditures	6,000,000	6,857,075	857,075	6,280,296
<b>Other financing sources (uses):</b>				
Transfers out	-	-	-	(95,035)
Net change in fund balances	6,000,000	6,857,075	857,075	6,185,261
<b>Fund balances - beginning</b>	<u>39,207,056</u>	<u>39,207,056</u>	<u>-</u>	<u>33,021,795</u>
<b>Fund balances - ending</b>	<u>\$ 45,207,056</u>	<u>\$ 46,064,131</u>	<u>\$ 857,075</u>	<u>\$ 39,207,056</u>

**DAVIS SCHOOL DISTRICT**

**Comparative Balance Sheets**

***Debt Service Fund***

June 30, 2016

With Comparative Totals for 2015

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	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 3,374,512	\$ 1,393,837
Receivables - property taxes	<u>45,323,105</u>	<u>45,062,338</u>
Total assets	<u>\$ 48,697,617</u>	<u>\$ 46,456,175</u>
<b>Deferred inflows of resources:</b>		
Unavailable property tax revenue	\$ 646,989	\$ 816,446
Property taxes levied for future year	<u>43,801,050</u>	<u>42,517,196</u>
Total deferred inflows of resources	<u>44,448,039</u>	<u>43,333,642</u>
<b>Fund balances:</b>		
Restricted for:		
Debt service	<u>4,249,578</u>	<u>3,122,533</u>
Total fund balances	<u>4,249,578</u>	<u>3,122,533</u>
Total deferred inflows of resources and fund balances	<u>\$ 48,697,617</u>	<u>\$ 46,456,175</u>

**DAVIS SCHOOL DISTRICT**

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

Year Ended June 30, 2016  
With Comparative Totals for 2015

	<b>2016</b>			<b>2015</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Property taxes	\$ 47,939,510	\$ 48,315,623	\$ 48,315,623	\$ 46,551,253
Federal interest subsidy	1,027,390	1,027,390	1,027,390	1,021,879
Total revenues	48,966,900	49,343,013	49,343,013	47,573,132
<b>Expenditures:</b>				
Debt service:				
Bond principal	33,230,000	33,230,000	-	26,975,000
Bond interest	14,986,868	14,949,568	37,300	17,468,199
Bond issuance costs	700,000	512,741	187,259	-
Fees and miscellaneous charges	50,032	36,400	13,632	7,400
Total expenditures	48,966,900	48,728,709	238,191	44,450,599
Excess of revenues over expenditures	-	614,304	614,304	3,122,533
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	120,035,000	(120,035,000)	-
Refunding bonds premium	-	6,930,694	(6,930,694)	-
Refunding bonds escrow payment	-	(126,452,953)	126,452,953	-
Total other financing sources (uses)	-	512,741	(512,741)	-
Net changes in fund balance	-	512,741	(512,741)	-
<b>Fund balances - beginning</b>	3,122,533	3,122,533	-	-
<b>Fund balances - ending</b>	<b>\$ 3,122,533</b>	<b>\$ 4,249,578</b>	<b>\$ 101,563</b>	<b>\$ 3,122,533</b>

**DAVIS SCHOOL DISTRICT**

**Comparative Balance Sheets**

***Capital Projects Fund***

June 30, 2016

With Comparative Totals for 2015

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	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 64,073,939	\$ 69,908,380
Receivables:		
Property taxes	16,508,212	16,293,844
Due from other funds	<u>29,166,970</u>	-
Total assets	<u>\$ 109,749,121</u>	<u>\$ 86,258,398</u>
<b>Liabilities:</b>		
Accounts payable	\$ 14,407,036	\$ 6,256,306
<b>Deferred inflows of resources:</b>		
Unavailable property tax revenue	233,026	297,235
Property taxes levied for future year	<u>15,906,220</u>	<u>15,313,467</u>
Total deferred inflows of resources	<u>16,139,246</u>	<u>15,610,702</u>
<b>Fund balances:</b>		
Restricted for:		
Capital projects	<u>79,202,839</u>	<u>64,391,390</u>
Total fund balances	<u>79,202,839</u>	<u>64,391,390</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 109,749,121</u>	<u>\$ 86,258,398</u>

## DAVIS SCHOOL DISTRICT

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

	<b>2016</b>			<b>2015</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ 18,072,600	\$ 17,401,892	\$ (670,708)	\$ 16,947,481
Earnings on investments	480,000	522,584	42,584	177,810
Other local	175,700	141,295	(34,405)	185,688
State of Utah	<u>3,910,400</u>	<u>5,349,248</u>	<u>1,438,848</u>	<u>297,469</u>
Total revenues	<u>22,638,700</u>	<u>23,415,019</u>	<u>776,319</u>	<u>17,608,448</u>
<b>Expenditures:</b>				
Capital outlay:				
Buildings and improvements	89,059,900	66,800,011	22,259,889	35,933,853
Equipment	24,500,000	8,573,388	15,926,612	3,370,008
Other	2,778,800	2,893,489	(114,689)	415,002
Debt service:				
Bond issuance costs	400,000	386,720	13,280	660,188
Capital lease payments	-	97,271	(97,271)	97,271
Total expenditures	<u>116,738,700</u>	<u>78,750,879</u>	<u>37,987,821</u>	<u>40,476,322</u>
Excess (deficiency) of revenues over (under) expenditures	(94,100,000)	(55,335,860)	38,764,140	(22,867,874)
<b>Other financing sources:</b>				
General obligation bonds issued	68,500,000	68,500,000	-	40,000,000
General obligation bonds premium	600,000	1,510,053	910,053	1,138,631
Proceeds from sale of capital assets	-	137,256	137,256	10,225
Total other financing sources	<u>69,100,000</u>	<u>70,147,309</u>	<u>1,047,309</u>	<u>41,148,856</u>
Net change in fund balances	(25,000,000)	14,811,449	39,811,449	18,280,982
<b>Fund balances - beginning</b>	<u>64,391,390</u>	<u>64,391,390</u>	<u>-</u>	<u>46,110,408</u>
<b>Fund balances - ending</b>	<u>\$ 39,391,390</u>	<u>\$ 79,202,839</u>	<u>\$ 39,811,449</u>	<u>\$ 64,391,390</u>

**DAVIS SCHOOL DISTRICT**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2016  
With Comparative Totals for 2015

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	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>School Food Services</b>	<b>Student Activities Fund</b>	<b>Tax Increment Program Fund</b>	
<b>Assets:</b>				
Cash and investments	\$ 4,470,144	\$ 7,207,787	\$ -	\$ 11,677,931
Receivables:				
Property taxes	-	-	7,715,906	7,715,906
Other local	26,585	-	-	26,585
State of Utah	1,673,970	-	-	1,673,970
Federal government	212,815	-	-	212,815
Due from other funds	650,000	3,380,505		4,030,505
Inventories	1,586,119	-	-	1,586,119
Total assets	<u>\$ 8,619,633</u>	<u>\$ 10,588,292</u>	<u>\$ 7,715,906</u>	<u>\$ 26,923,831</u>
<b>Liabilities:</b>				
Accounts payable	\$ 195,212	\$ 85,306	\$ -	\$ 280,518
Unearned revenue - other local	-	506	-	506
Total liabilities	<u>195,212</u>	<u>85,812</u>	<u>-</u>	<u>281,024</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for future year	-	-	7,715,906	7,715,906
<b>Fund balances:</b>				
Nonspendable:				
Inventories	1,586,119	-	-	1,586,119
Restricted for:				
School food services	6,838,302	-	-	6,838,302
Committed to:				
Schools	-	10,502,480	-	10,502,480
Total fund balances	<u>8,424,421</u>	<u>10,502,480</u>	<u>-</u>	<u>18,926,901</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,619,633</u>	<u>\$ 10,588,292</u>	<u>\$ 7,715,906</u>	<u>\$ 26,923,831</u>

**DAVIS SCHOOL DISTRICT**

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

***Nonmajor Governmental Funds***

Year Ended June 30, 2016

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	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>School Food Services</b>	<b>Student Activities Fund</b>	<b>Tax Increment Program Fund</b>	
<b>Revenues:</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ 6,860,325	\$ 6,860,325
Earnings on investments	-	183,600	-	183,600
School lunch sales	7,593,773	-	-	7,593,773
Student fees	-	13,109,075	-	13,109,075
Other local	846,497	2,597,783	-	3,444,280
State of Utah	4,219,760	-	-	4,219,760
Federal government	11,730,006	-	-	11,730,006
<b>Total revenues</b>	<b>24,390,036</b>	<b>15,890,458</b>	<b>6,860,325</b>	<b>47,140,819</b>
<b>Expenditures:</b>				
Current:				
Food	10,897,136	-	-	10,897,136
Salaries and benefits	9,271,903	1,207,789	-	10,479,692
Indirect charges	534,227	-	-	534,227
Purchased services	-	2,180,584	-	2,180,584
Supplies and equipment	-	12,598,356	-	12,598,356
Other	1,391,227	-	6,860,325	8,251,552
<b>Total expenditures</b>	<b>22,094,493</b>	<b>15,986,729</b>	<b>6,860,325</b>	<b>44,941,547</b>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	2,295,543	(96,271)	-	2,199,272
<b>Fund balances - beginning</b>	<b>6,128,878</b>	<b>10,598,751</b>	<b>-</b>	<b>16,727,629</b>
<b>Fund balances - ending</b>	<b>\$ 8,424,421</b>	<b>\$ 10,502,480</b>	<b>\$ -</b>	<b>\$ 18,926,901</b>

**DAVIS SCHOOL DISTRICT**

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

June 30, 2016  
With Comparative Totals for 2015

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	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 4,470,144	\$ 3,682,604
Receivables:		
Other local	26,585	26,001
State of Utah	1,673,970	1,110,763
Federal government	212,815	223,608
Due from other funds	650,000	-
Inventories	<u>1,586,119</u>	<u>1,190,751</u>
Total assets	<u><u>\$ 8,619,633</u></u>	<u><u>\$ 6,233,727</u></u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ 195,212</u>	<u>\$ 104,849</u>
<b>Fund balances:</b>		
Nonspendable:		
Inventories	1,586,119	1,190,751
Restricted for:		
School food services	<u>6,838,302</u>	<u>4,938,127</u>
Total fund balances	<u><u>8,424,421</u></u>	<u><u>6,128,878</u></u>
Total liabilities and fund balances	<u><u>\$ 8,619,633</u></u>	<u><u>\$ 6,233,727</u></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, 2016  
With Comparative Totals for 2015

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	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues:</b>				
Local sources:				
School lunch sales	\$ 7,702,100	\$ 7,593,773	\$ (108,327)	\$ 7,558,576
Other local	786,500	846,497	59,997	755,617
State of Utah	4,027,500	4,219,760	192,260	4,161,045
Federal sources:				
Federal government	9,770,300	9,621,951	(148,349)	9,607,094
Contributed food commodities	<u>1,600,000</u>	<u>2,108,055</u>	<u>508,055</u>	<u>1,519,624</u>
Total revenues	<u>23,886,400</u>	<u>24,390,036</u>	<u>503,636</u>	<u>23,601,956</u>
<b>Expenditures:</b>				
Current:				
Food	11,800,800	10,897,136	903,664	10,380,820
Salaries and benefits	9,602,700	9,271,903	330,797	9,106,537
Indirect charges	650,000	534,227	115,773	1,494,765
Other	<u>1,832,900</u>	<u>1,391,227</u>	<u>441,673</u>	<u>910,926</u>
Total expenditures	<u>23,886,400</u>	<u>22,094,493</u>	<u>1,791,907</u>	<u>21,893,048</u>
Excess of revenues over expenditures / net change in fund balances	-	2,295,543	2,295,543	1,708,908
<b>Fund balances - beginning</b>	<u>6,128,878</u>	<u>6,128,878</u>	<u>-</u>	<u>4,419,970</u>
<b>Fund balances - ending</b>	<u>\$ 6,128,878</u>	<u>\$ 8,424,421</u>	<u>\$ 2,295,543</u>	<u>\$ 6,128,878</u>

**DAVIS SCHOOL DISTRICT**

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

June 30, 2016  
With Comparative Totals for 2015

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	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 7,207,787	\$ 10,697,528
Due from other funds	3,380,505	-
Total assets	<u>\$ 10,588,292</u>	<u>\$ 10,697,528</u>
<b>Liabilities:</b>		
Accounts payable	\$ 85,306	\$ 71,803
Unearned revenue - other local	506	26,974
Total liabilities	<u>85,812</u>	<u>98,777</u>
<b>Fund balances:</b>		
Committed to:		
Schools	<u>10,502,480</u>	<u>10,598,751</u>
Total fund balances	<u>10,502,480</u>	<u>10,598,751</u>
Total liabilities and fund balances	<u>\$ 10,588,292</u>	<u>\$ 10,697,528</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, 2016  
With Comparative Totals for 2015

	<b>2016</b>			<b>2015</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Local sources:				
Earnings on investments	\$ 183,600	\$ 183,600	\$ -	\$ 118,900
Student fees	13,066,400	13,109,075	42,675	12,646,658
Other local	2,530,000	2,597,783	67,783	2,610,147
Total revenues	<u>15,780,000</u>	<u>15,890,458</u>	<u>110,458</u>	<u>15,375,705</u>
<b>Expenditures:</b>				
Current:				
Salaries and benefits	1,171,800	1,207,789	(35,989)	1,092,258
Purchased services	2,043,600	2,180,584	(136,984)	1,981,423
Supplies and equipment	12,564,600	12,598,356	(33,756)	11,793,192
Total expenditures	<u>15,780,000</u>	<u>15,986,729</u>	<u>(206,729)</u>	<u>14,866,873</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	(96,271)	(96,271)	508,832
<b>Fund balances - beginning</b>	<u>10,598,751</u>	<u>10,598,751</u>	<u>-</u>	<u>10,089,919</u>
<b>Fund balances - ending</b>	<u>\$ 10,598,751</u>	<u>\$ 10,502,480</u>	<u>\$ (96,271)</u>	<u>\$ 10,598,751</u>

**DAVIS SCHOOL DISTRICT**

**Balance Sheet**  
**Tax Increment Program Fund**  
**Nonmajor Special Revenue Fund**  
June 30, 2016  
With Comparative Totals for 2015

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Receivables - property taxes	\$ 7,715,906	<u>\$ 7,878,854</u>
<b>Deferred inflows of resources:</b>		
Property taxes levied for future year	\$ 7,715,906	\$ 7,878,854
<b>Fund balances</b>		
Total deferred inflows of resources and fund balances	<u>\$ 7,715,906</u>	<u>\$ 7,878,854</u>

**DAVIS SCHOOL DISTRICT**

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

***Tax Increment Program Fund***  
***Nonmajor Special Revenue Fund***

Year Ended June 30, 2016

With Comparative Totals for 2015

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	<b>2016</b>			<b>2015</b>
	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>	<b>Actual Amounts</b>
<b>Revenues:</b>				
Property taxes	\$ 7,000,000	\$ 6,860,325	\$ (139,675)	\$ 6,599,320
<b>Expenditures:</b>				
Current:				
Other	<u>7,000,000</u>	<u>6,860,325</u>	<u>139,675</u>	<u>6,599,320</u>
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>