

DOUGLAS COUNTY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

June 30, 2010



**SCHETTLER
MACY & SILVALLC**

Certified Public Accountants

DOUGLAS COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Douglas County School District
Minden, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County School District, Minden, Nevada (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Special Education Fund and Federal and State Grants Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 16 and the Schedule of Funding Progress related to the District's other postemployment benefits on page 61 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schettler, Macy & Silva, LLC

Reno, Nevada
November 24, 2010

DOUGLAS COUNTY SCHOOL DISTRICT

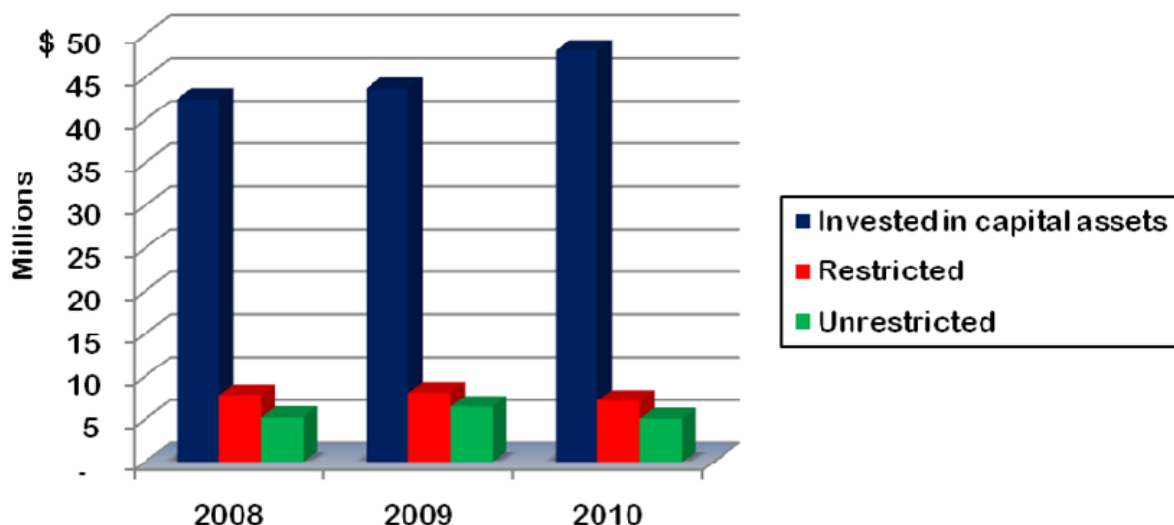
MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Management's discussion and analysis of Douglas County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with the District's financial statements, which follow this narrative.

Financial Highlights

- The District's net assets increased as a result of this year's operations. On a government-wide basis including all governmental activities, the assets of Douglas County School District exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$60.3 million. This represents an increase of 3.7% over the prior fiscal year.
- As of June 30, 2010, the District's governmental funds reported combined ending fund balances of \$26.8 million, an increase of \$15.7 million over the prior year. This increase includes a net increase of \$14 million in the two capital projects funds, which includes net proceeds from a bond sale of \$17.3 million. Approximately 2.8% of the total fund balance, or \$747,000, is unreserved and undesignated and is available for spending at the District's discretion within the parameters of the respective fund.
- The General Fund reported a net increase in fund balance of \$293,000. At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5.3 million, of which \$5 million has been designated to begin the 2010 fiscal year.

The following provides a graphical representation of net assets by category as of June 30, 2010, 2009, and 2008.



DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Douglas County School District's basic financial statements. The District's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. The basic financial statements present two different views of the District through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the District's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the District. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Supplemental information, including combining and individual fund statements and schedules, providing budget to actual and prior year comparisons, are presented in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Douglas County School District's finances, similar in format to a financial statement of a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 District's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

In many government entities, the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges by reporting them as business-type activities. The District has no functions in the business-type category, which results in the entire statement representing governmental activities. The government-wide financial statements are on pages 17 through 19 of this report.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Fund Financial Statements

The fund financial statements provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Douglas County School District uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Nevada Revised Statutes (NRS) and the District's regulations. The District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the District's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the fund financial statements.

The focus of the governmental fund statements is on major funds. The District has nine individual governmental funds of which the following are considered major funds:

- General
- Special Education
- Federal and State Grants
- Capital Projects
- Bond

These funds are disclosed separately in the governmental funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. The remaining four nonmajor governmental funds are combined into a single aggregated presentation in these statements. Individual fund data for each of these nonmajor funds is reported in the Combining and Individual Fund Statements and Schedules section of this report.

Proprietary Funds – Proprietary funds are comprised of enterprise funds and internal service funds. As previously discussed, the District has no business-type activities to be accounted for in enterprise funds.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the District. The District uses two internal service funds to account for its self-insurance of employees' health care and workers' compensation. Because internal service fund operations primarily benefit governmental funds, they are included in the governmental activities in the government-wide financial statements.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Fiduciary Funds - *Fiduciary Funds* account for resources held by the District in a trustee or agency capacity for the benefit of others; as such, fiduciary funds are not included in the government-wide statements. The District's only fiduciary fund is its agency fund, which is used to report the aggregate balances of student activity funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 39 – 60 of this report.

Government-Wide Financial Analysis

DOUGLAS COUNTY SCHOOL DISTRICT NET ASSETS

	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 41,634,308	\$ 27,643,032
Net capital assets	<u>57,617,055</u>	<u>54,966,852</u>
Total Assets	<u>99,251,363</u>	<u>82,609,884</u>
Liabilities		
Current liabilities	10,758,304	12,983,779
Long-term liabilities	<u>28,193,100</u>	<u>11,450,607</u>
Total Liabilities	<u>38,951,404</u>	<u>24,434,386</u>
Net Assets		
Invested in capital assets, net of related debt	48,107,975	43,683,378
Restricted	7,127,440	8,055,230
Unrestricted	<u>5,064,544</u>	<u>6,436,890</u>
Total Net Assets	<u>\$ 60,299,959</u>	<u>\$ 58,175,498</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The largest component of the District's net assets (80%) reflects the District's investment in capital assets (e.g. land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

DOUGLAS COUNTY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 1,087,516	\$ 805,569
Operating grants and contributions	7,249,798	8,079,836
Capital grants and contributions	875,000	100,000
General revenues:		
Property taxes	22,986,831	22,204,917
Local school support taxes	12,133,792	11,215,465
Government service taxes	3,546,124	3,863,564
Other taxes and fees	165,278	564,620
Unrestricted investment earnings	65,693	321,739
State aid not restricted to specific purposes	16,612,487	18,960,302
Other revenues	263,597	466,042
Total revenues	<u>64,986,116</u>	<u>66,582,054</u>
Expenses		
Instruction:		
Regular instruction	26,276,289	27,250,334
Special instruction	7,325,667	7,765,779
Vocational instruction	767,711	620,341
Adult instruction	17,814	6,080
Other instruction	2,193,065	1,809,925
Support services:		
Student support	2,035,304	1,883,536
Instructional support	1,431,113	3,044,665
General administration	756,717	1,025,071
School administration	3,678,255	3,690,890
Business administration	1,764,348	726,246
Operation and maintenance	6,529,178	7,067,875
Student transportation	3,207,384	2,750,020
Other support	2,306,912	2,281,609
Food service	2,674,887	1,967,617
Facilities and acquisitions	1,608,747	1,602,461
Interest on long-term debt	288,264	328,307
Total expenses	<u>62,861,655</u>	<u>63,820,756</u>
Net change in net assets	2,124,461	2,761,298
Net Assets, July 1	<u>58,175,498</u>	<u>55,414,200</u>
Net Assets, June 30	<u>\$60,299,959</u>	<u>\$58,175,498</u>

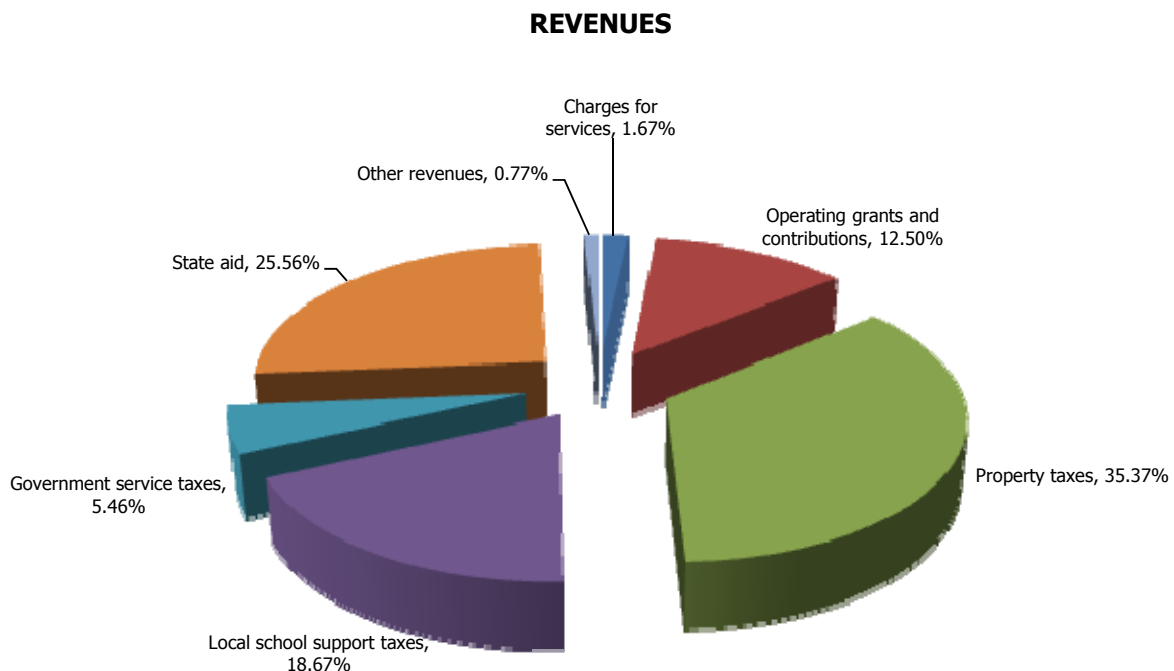
DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Governmental Activities:

- ◇ The largest and main revenue sources for the District are local school support taxes, property taxes (ad valorem), and state aid. Together, these revenue sources comprise 80% of total revenues.
- ◇ Ad valorem taxes increased 4% from the prior year. The Abatement Act of 2005 limits the increases in property tax bills to 3% over the prior year. Essentially, the increase in ad valorem is collection of this abatement.
- ◇ Local school support taxes (LSST) increased 8% from the prior year. This increase was due to a temporary increase of the sales tax rate in Douglas County on July 1, 2009 from 6.75% to 7.10%, effective through June 30, 2011.
- ◇ State aid not restricted to specific purposes decreased by approximately 12% from the prior year. A significant part (43%) of this decrease is due to declining student enrollment. Due to the State's one year "hold harmless" policy, State Aid is paid on the prior year's weighted enrollment. The weighted enrollment in 2007-08 was 6,510 students compared to 6,318 in 2008-09, equating to a loss in State Aid of over one million dollars. The remaining 57% reduction in State Aid, or approximately \$1.3 million was due to the 26th Special Session reduction in support.

The following chart presents the District's primary revenue sources.



DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

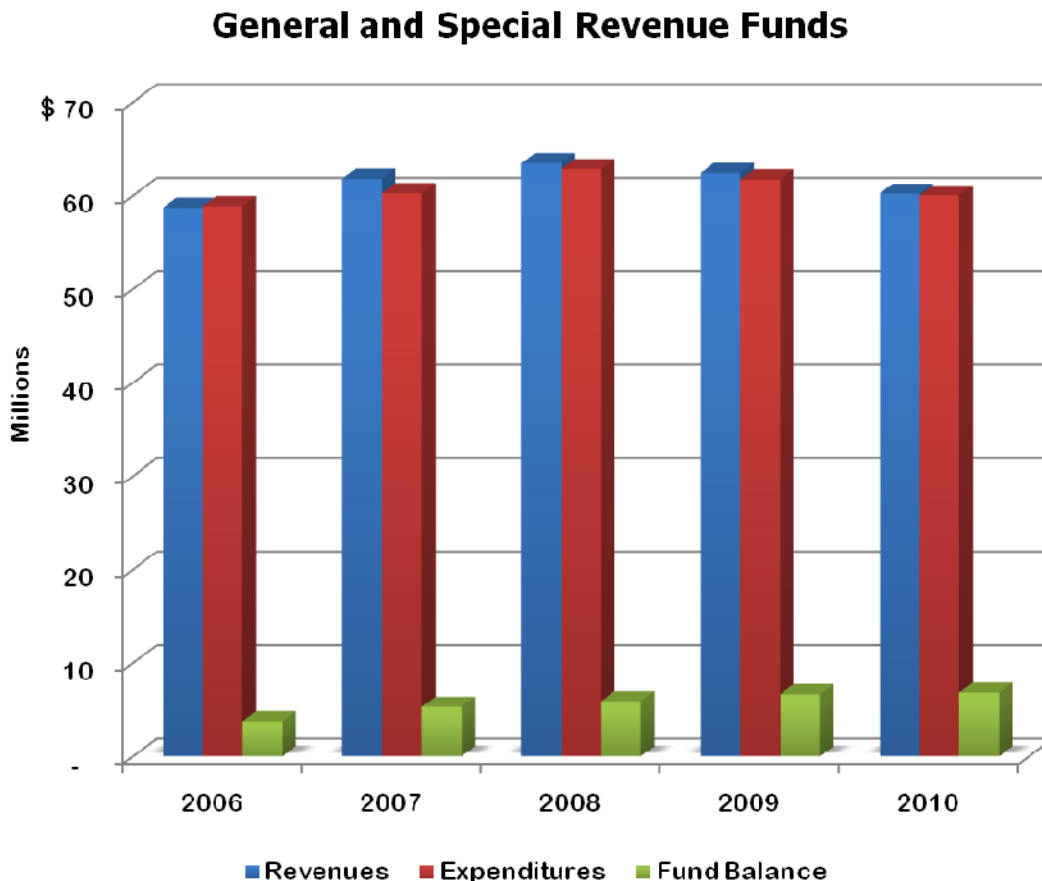
Douglas County School District uses fund accounting and budgetary integration to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the District's current funding requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the District's governmental funds reported a combined fund balance of \$26.8 million, a 140% increase over last year. Of this total, approximately \$26.1 million is either reserved or designated for 2010-11 expenditures. The vast majority, or \$17.6 million, of this fund balance is in the Bond Fund. The remaining \$747,000, or 2.8%, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion within the parameters of the respective fund. Additional detail can be found on pages 20 – 24 of these statements.

General and Special Revenue Funds

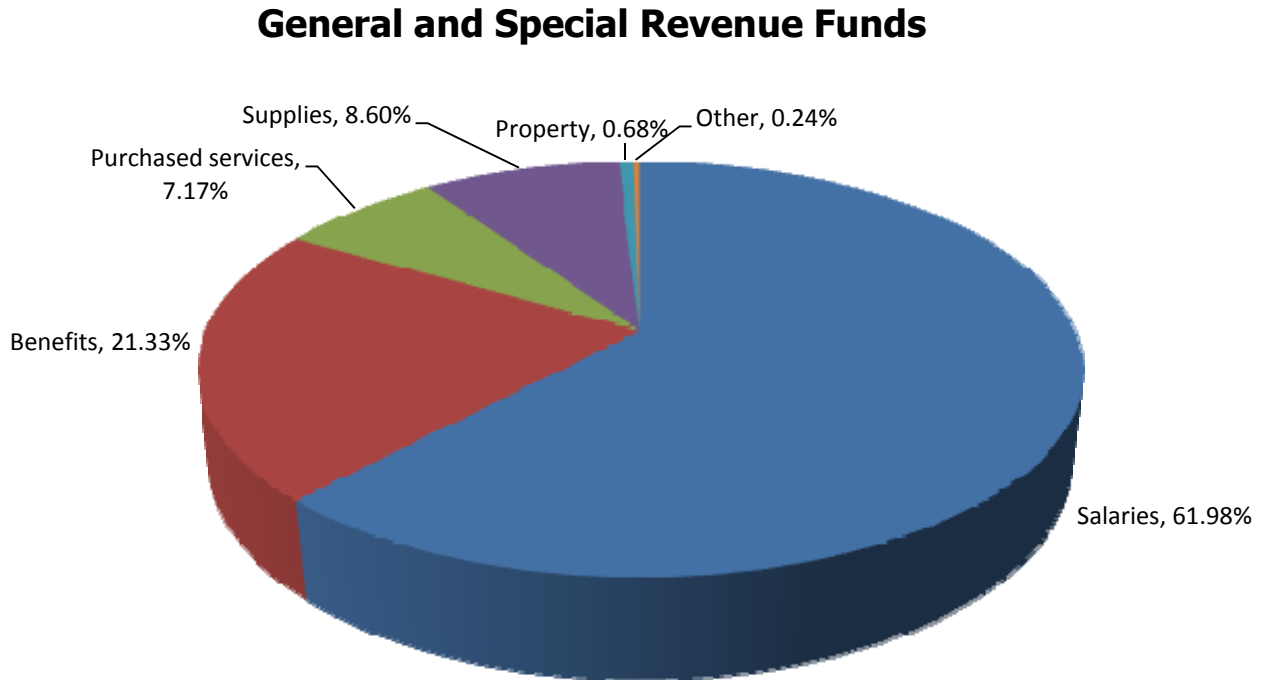
The General Fund and the special revenue funds are often referred to as the District's "operating funds." The following chart compares the revenues to expenditures and fund balance for these funds for the last five years:



DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Education is labor intensive, which is evident from the following chart. This chart displays the expenditures (by object) for the District's General Fund and special revenue funds:



Debt Service Fund

The June 30, 2010 fund balance of \$1.9 million exceeds the 2010-11 anticipated debt service requirements of \$1.6 million on the District's general obligation debt.

Capital Projects Funds

The District has three capital projects funds – the Building and Sites Fund, the Bond Fund and the Capital Projects Fund. These funds are used to accumulate resources for major capital acquisitions and improvements. These funds had a combined ending fund balance at June 30, 2010 of \$18.1 million, of which \$18.1 million is reserved for those projects that were either awarded prior to the end of the year, but were not yet completed, or that will be awarded within the next two fiscal years according to the District's Facilities Master Plan.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Internal Service Funds

The District has two internal service funds – the Self-Insurance Health Fund and the Workers' Compensation Self-Insurance Fund. As of June 30, 2010, these funds had combined net assets of \$5.6 million, which represents approximately 89% of the funds' 2009-10 expenses.

BUDGETARY HIGHLIGHTS

Nevada's school districts are funded in large part based on student enrollment at the end of the first school month. State statutes require all school districts to amend their general fund budgets after "count day" enrollment is known. Throughout the year, the District also amends their budget for other known adjustments, such as opening fund balance amounts and approved grant funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The District's capital assets as of June 30, 2010 and 2009 are as follows:

CAPITAL ASSETS (Net of Depreciation)

	<u>2010</u>	<u>2009</u>
Land	\$ 1,413,439	\$ 1,413,439
Construction in progress	1,996,545	6,650,585
Buildings	51,891,380	44,176,768
Equipment	2,315,691	2,726,060
	<u>\$ 57,617,055</u>	<u>\$ 54,966,852</u>

Additional detail can be found on page 50 of these statements. Commitments with respect to unfinished capital projects are discussed on page 60 of these statements.

Debt Administration:

As of June 30, 2010, the District's debt was comprised of the following:

General obligation bonds, net of premium	\$ 22,190,582
Compensated absences	363,254
Capital leases	31,964
Note payable	4,992,000
	<u>\$ 27,577,800</u>

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

The District maintained an AA- rating with a stable outlook from Standard and Poor's (S&P). Additional detail can be found on pages 51 – 53 of the financial statements.

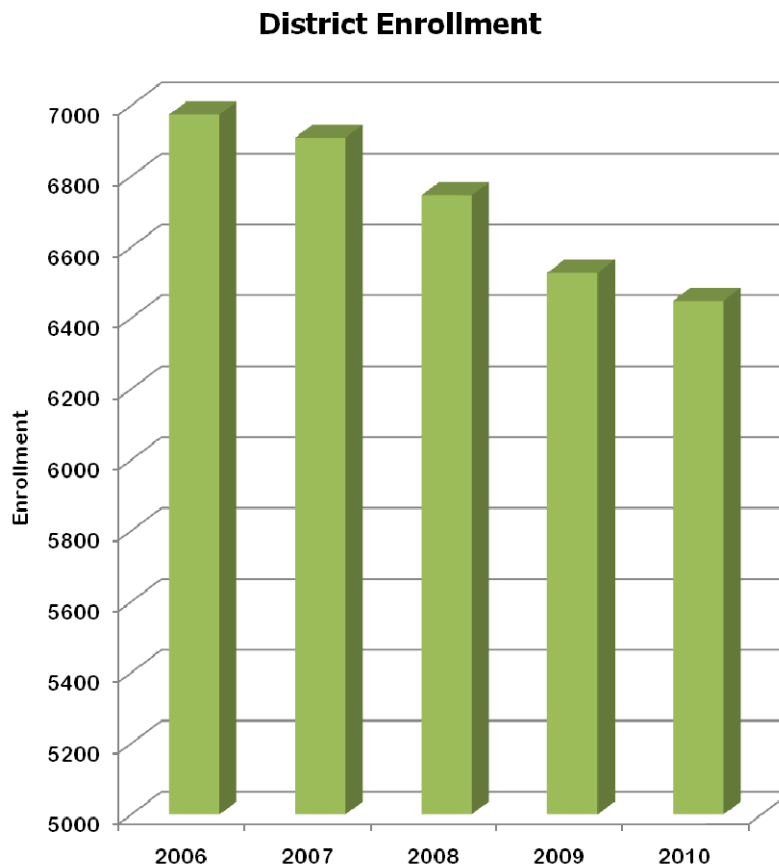
Principal and interest payments on the General Obligation Bonds, capital leases and note payable for the 2010-11 fiscal year are scheduled to total \$2,367,558.

The District is limited by state statutes as to the amount of general obligation debt it can have outstanding. The limit is equal to 15% of the District's total assessed property valuation. Based on the fiscal year 2010 assessed value, the District's statutory general obligation debt limit is \$519,998,255. The District presently has authorization from the Debt Management Commission to issue \$9,195,000 of general obligation bonds. As of June 30, 2010, the District had \$21,690,000 of general obligation debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment and Funding

Provided below is a chart which depicts the District's recent trend of declining student enrollment, which has declined by 7.4%, or 506 students, since 2006.



DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Nevada's school districts are highly dependent on the economic condition of the State. Nevada's formula for school district funding guarantees the majority of operating revenue by making up any shortfall in property tax or sales tax (local school support tax) collections. For the 2010-11 school year, the District (as all Nevada's school districts) will receive funding in accordance with the biennial state budget.

A large percentage of revenues received by the District are provided through the State Distributive School Account (DSA) monies or basic support guarantee for school districts. These revenues are based on a weighted average per pupil within total enrollment. Due to the significance of the revenue and basis of funding there are several concerns regarding the future of DSA funding for the District.

The first concern is a decline in enrollment, and therefore a reduction of DSA revenues. DCSD saw significant enrollment growth, particularly in the Valley based school sites, from 1987 through 1999. However, since 1999, enrollment has fluctuated – some years increasing, some years decreasing. In 2008-09, enrollment declined by 3.0% from the previous year, and enrollment further declined in the 2009-10 school year by 1.5%. The current 2010-11 school year enrollment shows this to be a continuing trend, as enrollment dropped by 1.8%, from the previous year.

The second concern is the 2007 biennium AB 627 legislation, and the revision to the "Hold Harmless" provision governing the count of pupils for purposes of apportioning money from the State DSA. Prior to July 1, 2008, districts with declining enrollment are allowed to submit DSA funding requests based on the year of the highest weighted enrollment from among the current and immediately preceding *two school years*. Effective July 1, 2008, the "Hold Harmless" provision changes the funding requests based only on the year of the highest weighted enrollment from among the current and the *immediately preceding school year*. (NRS 387.1233)

The third and greatest concern is the stability of these DSA monies. The State has revised its revenue projections multiple times in the last biennium – each revision resulting in fewer revenues. In turn, these reductions have filtered to the K-12 arena through revisions and reductions in the State Guaranteed Funds or DSA. The District covered State imposed reductions of \$2.8 million over the past 2009-10 and 2010-11 biennium primarily through a diminution in the general fund ending fund balance of \$1.9 million. There may be further reductions in State funding, and the District will continue to monitor and evaluate further reductions in expenditures as needed. However, the School Finance Plan (see "Plan" under "State Sources" below) was designed with intended stability in mind.

Local Sources - The District's local operating revenue sources are comprised largely of a county-wide seventy-five cent property tax and a sales tax equal to 2.25 percent of taxable sales. The District received \$20,270,880 from property tax and \$12,133,792 from sales tax for the year ended June 30, 2010. The District has budgeted \$19,950,000 in property tax revenue and \$11,766,653 in sales tax revenue for fiscal year 2011. Other local operating sources to the General Fund include governmental services taxes, earnings on investments, and utility franchise fees.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

State Sources of Funding - State revenue sources consist of payments from the State distributive school account (the "DSA") received pursuant to the Nevada Plan for School Finance (the "School Finance Plan"). The revenue for the DSA is received from the following five sources: (a) State General Fund Appropriation (83%); (b) a portion of the annual excise tax of \$250 for each slot machine operated in the State (7%); (c) a State sales tax for local school support, which is \$.0225 for every \$1.00 of gross retail sales (8%); (d) revenue from mineral leases on federal land (1%); and (e) interest earned on the Permanent School Fund established by the State Constitution (1%).

Each school district's share of State aid is set by the State legislature for the biennium in accordance with a formula set forth in the School Finance Plan. The School Finance Plan was adopted by the Nevada legislature in 1967 to compensate for wide local variations in resources and in cost per pupil. It is designed to provide reasonable equal educational opportunity and can be expressed in a formula partially on a per-pupil basis and partially on a per-program basis. The formula in the School Finance Plan contains four basic calculations: equalized basic support ratios, wealth adjustment factors, transportation allotments, and guaranteed basic support. The School Finance Plan has been amended from time to time by the State Legislature. The per-pupil State guaranteed support for the District for fiscal year 2009 and 2010 were \$5,324 and \$5,268, respectively. Per-pupil guaranteed support for fiscal year 2011 is \$5,155.

The School Finance Plan provides a substantial guarantee of revenue support for the District's General Fund budget. Under the Plan, the District is protected from fluctuations in receipts of the 2.25 percent sales tax (see "Local Sources" above) and from fluctuations in receipts with respect to a portion (\$.25) of the property tax levy (see "Local Sources" above) for operating purposes by virtue of the State's guarantee of such receipts from those tax sources to the District. The effect of this guarantee is that approximately 66 percent of the District's budgeted General Fund revenue is fixed as a State obligation and is, therefore, not subject to revenue fluctuations during the course of the school year. For example, the District received total General Fund revenues of \$50,747,482 in fiscal year 2009 and the total State basic support guarantee for the fiscal year 2010 was \$34,658,175. The total General Fund revenues for fiscal year 2010 were \$49,509,491 and the State basic support guarantee for fiscal year 2011 is \$32,016,674. Further, of the approximate 34 percent remaining District General Fund revenue, approximately two-thirds is based on the remaining \$.50 component of the total \$.75 property tax levy, and because the assessed valuation of property within the District is determined prior to the beginning of the school year, the District knows its property tax base prior to the outset of its operating year.

Capital and Bond Funding:

The Capital Project Fund generally receives two sources of revenue – Governmental Services Tax (GST; formerly referred to as Motor Vehicle Privilege Tax), and Residential Construction Tax (RCT).

Presently, Douglas County provides a breakdown to the District that indicates which portion of the GST flows to the General Fund (approx 70% of total GST revenues), and which portion flows to the Capital Fund (approx 30% of total GST revenues). Per NRS 371, the "debt service" portion of GST is dependent on having a debt service tax rate. Currently, the District's debt service tax rate is \$0.10 per \$100 in property tax revenues.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

Due to the November 2008 voter approved continuation of this tax, the \$0.10 per \$100 in property tax revenues is secure through 2018. The approved "Roll-Over" or "Continuation" Bond will provide an expected \$30 million + in capital funding to improve, equip, acquire and construct school facilities without increasing the District's existing tax levy. Many of the proposed projects will provide operational and energy efficiencies which will in turn benefit the District's General Fund in reduced operations and maintenance expenses.

The bond expenditures will be guided by the Facilities Master Plan which was approved by the Board of Trustees in April 2010. The first Phase consists of major improvements and additional capacity to four of the District's elementary schools. This first Phase is further split into Phase 1A and Phase 1B. Phase 1A is currently underway at the Gardnerville and Pinon Hills Sites, and completed construction is estimated in the later part of 2012.

Additionally, the District engaged in a \$5 Million Installment Purchase Agreement (IPA) in May 2008 with an Energy Services Performance Contract (ESPC) with Ameresco, an Energy Services Contractor. An ESPC is an alternative way to fund major capital projects and still remain budget neutral. An ESPC bundles together several energy conservation measures that in turn generates savings in utilities, operations, and maintenance that pay for the IPA. The Final Commissioning of the project was concluded in October 2009, and has verified that the District attained an additional \$56,939 in savings beyond the original projections required to engage in the IPA. A preliminary review of the following year (through October 2010) yields an additional savings of \$55,201 beyond the original projections required to engage in the IPA. In terms of pollution reduction, this energy conservation project is equivalent to:

- Removing 764 cars from the road (one vehicle produces the equivalent of 5.3 tons of carbon monoxide per year, according to the U.S. Environmental Protection Agency).
- Powering 298 homes per year (The average home utilizes 1,000 kilowatt hours per month).

Another portion of the revenue that helps to sustain the District's Capital Improvement Plan comes from a privilege tax on Residential Building Permits. The RCT is currently imposed in Douglas County at \$1,600 per new residential unit, the maximum authorized by NRS 387.331. Douglas County Commission and Department of Taxation has approved the levy of this tax through June 2011 at which time the District will need to resubmit a request for continuation of the levy.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2010

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Douglas County School District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Business Administration Office, 1638 Mono Avenue, Minden, Nevada 89423.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2010 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES	
	2010	2009
ASSETS		
Current Assets		
Cash and investments	\$ 19,470,994	\$ 17,545,103
Receivables		
Taxes	654,157	554,438
Interest	1,749	3,352
Other	118,805	265,629
Due from other governments	2,617,337	2,707,602
Inventories	165,982	178,828
Deferred bond issuance costs	256,934	85,311
Total Current Assets	<u>23,285,958</u>	<u>21,340,263</u>
Noncurrent Assets		
Restricted cash	18,348,350	6,302,769
Capital assets		
Land and construction in progress	3,409,984	8,064,024
Other capital assets, net of depreciation	54,207,071	46,902,828
	<u>75,965,405</u>	<u>61,269,621</u>
Total Assets	<u>99,251,363</u>	<u>82,609,884</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	5,631,402	8,277,364
Pending claims	1,444,610	1,420,415
Deferred revenues	2,180,262	1,827,095
Current maturities of long-term obligations	1,502,030	1,458,905
Total Current Liabilities	<u>10,758,304</u>	<u>12,983,779</u>
Noncurrent Liabilities		
Accrued compensated absences	363,254	341,763
Obligation for other postemployment benefits	2,117,330	1,233,862
Capital leases payable	-	31,964
General obligation bonds	20,839,516	4,851,018
Note payable	4,873,000	4,992,000
	<u>28,193,100</u>	<u>11,450,607</u>
Total Liabilities	<u>38,951,404</u>	<u>24,434,386</u>
NET ASSETS		
Invested in capital assets, net of related debt	48,107,975	43,683,378
Restricted for:		
Debt service	1,906,615	456,188
Employee benefits	4,734,413	4,910,778
Capital projects	486,412	2,688,264
Unrestricted	5,064,544	6,436,890
Total Net Assets	<u>\$ 60,299,959</u>	<u>\$ 58,175,498</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	2010	2009
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular instruction	\$ 26,276,289	\$ 346,103	\$ 2,969,926	\$ -	\$ (22,960,260)	\$ (21,692,479)
Special instruction	7,325,667	-	1,482,844	-	(5,842,823)	(6,386,398)
Vocational instruction	767,711	-	195,572	-	(572,139)	(620,341)
Adult instruction	17,814	-	37,406	-	19,592	(6,080)
Other instruction	2,193,065	-	32,829	-	(2,160,236)	(1,809,925)
Total Instruction	36,580,546	346,103	4,718,577	-	(31,515,866)	(30,515,223)
Support services:						
Student support	2,035,304	-	131,263	-	(1,904,041)	(1,883,536)
Instructional staff support	1,431,113	-	221,409	-	(1,209,704)	(2,711,882)
General administration	756,717	-	-	-	(756,717)	(1,025,071)
School administration	3,678,255	-	-	-	(3,678,255)	(3,690,890)
Business administration	1,764,348	-	-	-	(1,764,348)	(726,246)
Operation and maintenance of plant	6,529,178	-	-	-	(6,529,178)	(7,067,875)
Student transportation	3,207,384	-	-	98,455	(3,108,929)	(2,750,020)
Other support	2,306,912	-	1,078,246	-	(1,228,666)	(2,281,609)
Facilities acquisition and construction	2,674,887	23,442	42,755	875,000	(1,733,690)	(1,867,617)
Food service	1,608,747	717,971	959,093	-	68,317	12,925
Interest on long-term debt	288,264	-	-	-	(288,264)	(328,307)
Total Support services	26,281,109	741,413	2,432,766	973,455	(22,133,475)	(24,320,128)
Total School District	\$ 62,861,655	\$ 1,087,516	\$ 7,151,343	\$ 973,455	(53,649,341)	(54,835,351)

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	2010	2009
General revenues:						
	Property taxes, levied for general purposes				\$ 20,270,880	\$ 19,590,836
	Property taxes, levied for debt service				2,715,951	2,614,081
	Local school support taxes				12,133,792	11,215,465
	Government service taxes for general purposes				2,506,693	2,733,582
	Government service taxes for capital purposes				1,039,431	1,129,982
	Other taxes and fees				165,278	564,620
	Unrestricted investment earnings				65,693	321,739
	Other local sources				263,597	466,042
	State aid not restricted to specific purposes				16,612,487	18,960,302
	Total General revenues				55,773,802	57,596,649
	Change in Net assets				2,124,461	2,761,298
	NET ASSETS, July 1				58,175,498	55,414,200
	NET ASSETS, June 30				\$ 60,299,959	\$ 58,175,498

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	GENERAL FUND	SPECIAL EDUCATION FUND	FEDERAL AND STATE GRANTS FUND	CAPITAL PROJECTS FUND	BOND FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS	
							2010	2009
ASSETS								
Cash and investments	\$ 6,658,503	\$ 1,435,621	\$ 1,247,606	\$ 318,867	\$ 17,581,363	\$ 2,989,926	\$ 30,231,886	\$ 16,080,963
Deposit held by fiscal agent	383,626	-	-	5,793	-	42,222	431,641	1,495,423
Receivables:								
Taxes, delinquent	581,264	-	-	-	-	72,894	654,158	554,438
Interest	-	-	-	-	-	778	778	3,352
Other	98,143	90	-	-	3,624	-	101,857	131,201
Due from other governments	2,293,556	-	220,451	89,431	-	13,900	2,617,338	2,707,602
Due from other funds	-	-	-	200,000	-	-	200,000	-
Inventories	128,873	-	-	-	-	37,109	165,982	178,828
Total Assets	<u>\$ 10,143,965</u>	<u>\$ 1,435,711</u>	<u>\$ 1,468,057</u>	<u>\$ 614,091</u>	<u>\$ 17,584,987</u>	<u>\$ 3,156,829</u>	<u>\$ 34,403,640</u>	<u>\$ 21,151,807</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 3,702,084	\$ 587,601	\$ 471,374	\$ 141,773	\$ 33,059	\$ 247,283	\$ 5,183,174	\$ 8,166,265
Due to other funds	445,034	82,385	23,763	-	-	237,388	788,570	1,480
Deferred revenues	550,041	-	972,920	-	-	68,731	1,591,692	1,827,095
Total Liabilities	<u>4,697,159</u>	<u>669,986</u>	<u>1,468,057</u>	<u>141,773</u>	<u>33,059</u>	<u>553,402</u>	<u>7,563,436</u>	<u>9,994,840</u>
FUND BALANCES								
Reserved for:								
Inventories	128,873	-	-	-	-	37,109	165,982	178,828
Debt service	-	-	-	-	-	1,906,615	1,906,615	456,188
Capital projects	-	-	-	472,318	17,551,928	54,610	18,078,856	4,044,855
Designated for:								
Subsequent year's expenditures	4,977,682	557,140	-	-	-	390,097	5,924,919	5,077,092
Unreserved and undesignated	340,251	208,585	-	-	-	214,996	763,832	1,400,004
Total Fund Balance	<u>5,446,806</u>	<u>765,725</u>	<u>-</u>	<u>472,318</u>	<u>17,551,928</u>	<u>2,603,427</u>	<u>26,840,204</u>	<u>11,156,967</u>
Total Liabilities and Fund Balance	<u>\$ 10,143,965</u>	<u>\$ 1,435,711</u>	<u>\$ 1,468,057</u>	<u>\$ 614,091</u>	<u>\$ 17,584,987</u>	<u>\$ 3,156,829</u>	<u>\$ 34,403,640</u>	<u>\$ 21,151,807</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2010

Fund Balance - Governmental Funds \$ 26,840,204

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	106,394,866	
Less accumulated depreciation	<u>(48,777,811)</u>	57,617,055

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Bond issuance costs	274,411	
Less accumulated amortization	<u>(17,477)</u>	256,934

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:

General obligation bonds payable	(21,690,000)	
Bond premium	(1,532,395)	
Bond discount	110,204	
Less accumulated amortization	921,609	
Accrued interest payable	(368,139)	
Capital leases payable	(31,964)	
Note payable	(4,992,000)	
Compensated absences	<u>(363,254)</u>	(27,945,939)

The liability for estimated future payments for benefits provided to current and future retirees are not reported as fund liabilities since they will not be paid from current resources. (2,117,330)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds are reported with governmental activities. 5,649,035

Net Assets - Governmental Activities \$ 60,299,959

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	GENERAL FUND	SPECIAL EDUCATION FUND	FEDERAL AND STATE GRANTS FUND	CAPITAL PROJECTS FUND	BOND FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
							2010	2009
REVENUES								
Local sources	\$ 35,624,649	\$ 3,106	\$ 572,903	\$ 2,002,330	\$ 12,845	\$ 3,465,256	\$ 41,681,089	\$ 39,606,763
State sources	13,828,727	2,783,760	831,591	-	-	2,029,665	19,473,743	21,473,948
Federal sources	56,115	-	2,806,650	-	-	953,262	3,816,027	5,412,750
Total Revenues	<u>49,509,491</u>	<u>2,786,866</u>	<u>4,211,144</u>	<u>2,002,330</u>	<u>12,845</u>	<u>6,448,183</u>	<u>64,970,859</u>	<u>66,493,461</u>
EXPENDITURES								
Instruction:								
Regular instruction	22,796,354	-	946,092	-	-	2,245,830	25,988,276	27,292,925
Special instruction	-	5,755,705	1,482,844	-	-	-	7,238,549	6,880,637
Vocational instruction	580,285	-	195,572	-	-	-	775,857	614,276
Adult instruction	-	-	37,406	-	-	-	37,406	32,327
Other instruction	1,761,989	211,933	32,829	-	-	-	2,006,751	1,820,918
Undistributed expenditures:								
Student support	1,948,239	374,744	75,536	-	-	-	2,398,519	1,896,966
Instructional staff support	1,160,197	-	221,409	-	-	-	1,381,606	3,018,623
General administration	754,536	-	-	-	-	-	754,536	1,028,685
School administration	3,664,460	-	-	-	-	-	3,664,460	3,702,939
Business administration	1,796,577	-	-	-	-	-	1,796,577	727,034
Operation and maintenance	6,458,107	-	-	-	-	-	6,458,107	7,288,946
Student transportation	2,733,177	432,401	98,455	-	-	-	3,264,033	3,437,602
Other support	1,220,259	-	1,078,246	825,611	131,954	-	3,256,070	2,612,925
Building improvements	-	-	42,755	-	-	-	42,755	45,600
Food service	-	-	-	-	-	1,597,591	1,597,591	1,596,317
Facilities construction/improvements	-	-	-	2,229,912	2,363,298	-	4,593,210	7,826,769
Debt service:								
Principal	103,000	-	-	-	-	860,000	963,000	3,665,000
Interest	192,383	-	-	-	-	209,911	402,294	310,405
Fiscal agent charges	-	-	-	-	-	1,250	1,250	125
Total Expenditures	<u>45,169,563</u>	<u>6,774,783</u>	<u>4,211,144</u>	<u>3,055,523</u>	<u>2,495,252</u>	<u>4,914,582</u>	<u>66,620,847</u>	<u>73,799,019</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	GENERAL FUND	SPECIAL EDUCATION FUND	FEDERAL AND STATE GRANTS FUND	CAPITAL PROJECTS FUND	BOND FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
							2010	2009
Revenues Over (Under) Expenditures	\$ 4,339,928	\$ (3,987,917)	\$ -	\$ (1,053,193)	\$ (2,482,407)	\$ 1,533,601	\$ (1,649,988)	\$ (7,305,558)
OTHER FINANCING SOURCES (USES)								
Sale of fixed assets	-	-	-	-	-	-	-	11,210
Transfers (to) from other funds	(4,040,000)	3,880,000	-	200,000	-	(40,000)	-	-
Proceeds from issuance of bonds	-	-	-	-	17,305,000	-	17,305,000	3,422,354
Bond premiums	-	-	-	-	151,276	-	151,276	-
Bond discounts	-	-	-	-	(110,205)	-	(110,205)	-
Installment note proceeds	-	-	-	-	-	-	-	5,095,000
Total Other Financing Sources (Uses)	(4,040,000)	3,880,000	-	200,000	17,346,071	(40,000)	17,346,071	8,528,564
Net Change in Fund Balances	299,928	(107,917)	-	(853,193)	14,863,664	1,493,601	15,696,083	1,223,006
FUND BALANCES, July 1	5,153,774	873,642	-	1,325,511	2,688,264	1,115,776	11,156,967	9,913,284
Increase (decrease) in reserve for inventories	(6,896)	-	-	-	-	(5,950)	(12,846)	20,677
FUND BALANCES, June 30	<u>\$ 5,446,806</u>	<u>\$ 765,725</u>	<u>\$ -</u>	<u>\$ 472,318</u>	<u>\$ 17,551,928</u>	<u>\$ 2,603,427</u>	<u>\$ 26,840,204</u>	<u>\$ 11,156,967</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 15,683,237
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, the cost of those assets is depreciated over their estimated useful lives.	2,650,200
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(333,418)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	1,001,218
Costs associated with the issuance of long-term debt and any discount or premium realized at the time of incurring debt are recognized as an expenditure and other financing source or use, respectively, in the governmental funds. These items are accrued and deferred in the Statement of Activities and amortized over the life of the new debt.	594,928
The change in the long-term portion of compensated absences is reported in the Statement of Activities. These do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(21,493)
Issuance of new debt is a resource in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	(17,305,000)
The full cost of postemployment benefits to current employees earned during the current year and the amortization of the past cost is recognized as an expense in the Statement of Activities while only the current contributions are reported in the fund statements.	(883,468)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (expense) of the internal service funds is reported with governmental activities.	738,257
Change in Net Assets of Governmental Activities	<u>\$ 2,124,461</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Ad valorem taxes	\$ 20,300,000	\$ 20,100,000	\$ 20,270,880	\$ 170,880	\$ 19,590,836
Local school support tax	11,680,573	12,075,443	12,133,792	58,349	11,215,465
Motor vehicle privilege tax	2,679,172	2,502,686	2,506,693	4,007	2,733,582
Franchise tax	120,000	120,000	78,095	(41,905)	111,701
Out-of-state tuition	344,000	342,000	346,103	4,103	327,816
Earnings on investments	250,000	100,000	25,488	(74,512)	118,020
Other	215,000	215,000	263,598	48,598	449,005
Total Local sources	35,588,745	35,455,129	35,624,649	169,520	34,546,425
State sources:					
Distributive school account	12,388,672	13,998,764	13,828,727	(170,037)	13,944,649
Federal sources:					
In lieu of tax	10,000	10,000	388	(9,612)	5,140
E-rate Funds	-	-	55,727	55,727	-
Fiscal Stabilization Fund	-	-	-	-	2,251,268
Total Federal sources	10,000	10,000	56,115	46,115	2,256,408
Total Revenues	47,987,417	49,463,893	49,509,491	45,598	50,747,482
EXPENDITURES					
Regular programs:					
Salaries	15,640,913	16,378,624	15,991,358	387,266	16,448,528
Benefits	5,539,514	5,792,713	5,652,597	140,116	5,978,737
Purchased services	240,759	250,915	208,138	42,777	253,181
Supplies	906,482	1,147,068	928,833	218,235	887,868
Property	19,500	-	9,226	(9,226)	26,226
Other	4,724	6,299	6,202	97	7,296
	22,351,892	23,575,619	22,796,354	779,265	23,601,836
Vocational programs:					
Salaries	432,782	428,004	378,393	49,611	364,046
Benefits	150,510	156,833	144,051	12,782	145,582
Purchased services	5,000	5,169	588	4,581	4,592
Supplies	47,918	60,965	57,102	3,863	42,651
Property	3,142	-	-	-	1,175
Other	2,000	400	151	249	1,610
	641,352	651,371	580,285	71,086	559,656
Adult education:					
Purchased services	-	-	-	-	2,133
Supplies	-	-	-	-	11,217
	-	-	-	-	13,350

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other instructional programs:					
Co-curricular activities:					
Salaries	\$ 180,000	\$ 200,000	\$ 193,614	\$ 6,386	\$ 183,236
Benefits	3,965	4,865	4,816	49	4,322
Purchased services	6,500	10,268	12,891	(2,623)	18,838
Supplies	12,000	7,382	6,761	621	8,593
Property	700	-	-	-	-
Other	4,950	4,800	4,569	231	5,095
	<u>208,115</u>	<u>227,315</u>	<u>222,651</u>	<u>4,664</u>	<u>220,084</u>
Athletics:					
Salaries	222,000	270,000	257,005	12,995	258,142
Benefits	7,975	9,990	12,717	(2,727)	11,996
Purchased services	15,300	14,300	13,739	561	16,458
Supplies	48,854	46,442	42,818	3,624	40,052
Property	5,000	6,900	6,883	17	-
Other	43,948	33,410	38,454	(5,044)	47,673
	<u>343,077</u>	<u>381,042</u>	<u>371,616</u>	<u>9,426</u>	<u>374,321</u>
Alternative education:					
Salaries	186,953	251,303	204,593	46,710	85,148
Benefits	43,081	59,426	54,391	5,035	54,529
Purchased services	16,000	16,000	6,464	9,536	14,658
Supplies	9,391	12,907	3,861	9,046	6,448
Property	625	-	-	-	-
	<u>256,050</u>	<u>339,636</u>	<u>269,309</u>	<u>70,327</u>	<u>160,783</u>
JROTC:					
Salaries	110,000	165,000	142,921	22,079	120,305
Benefits	39,825	54,593	47,588	7,005	40,106
Supplies	6,000	5,000	4,947	53	5,891
	<u>155,825</u>	<u>224,593</u>	<u>195,456</u>	<u>29,137</u>	<u>166,302</u>
Summer school:					
Salaries	49,800	70,000	66,162	3,838	66,927
Benefits	2,500	2,865	2,507	358	3,698
Supplies	7,700	7,700	1,423	6,277	379
	<u>60,000</u>	<u>80,565</u>	<u>70,092</u>	<u>10,473</u>	<u>71,004</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
English as a second language (ESL):					
Salaries	\$ 381,962	\$ 469,108	\$ 454,550	\$ 14,558	\$ 341,414
Benefits	150,578	160,825	170,312	(9,487)	137,026
Supplies	11,700	13,000	8,003	4,997	10,849
	<u>544,240</u>	<u>642,933</u>	<u>632,865</u>	<u>10,068</u>	<u>489,289</u>
Total other instructional programs	<u>1,567,307</u>	<u>1,896,084</u>	<u>1,761,989</u>	<u>134,095</u>	<u>1,481,783</u>
Undistributed expenditures:					
Student support:					
Salaries	1,408,601	1,385,852	1,391,747	(5,895)	1,345,868
Benefits	519,129	559,134	500,724	58,410	502,240
Purchased services	17,882	36,143	33,154	2,989	18,228
Supplies	35,535	29,041	22,406	6,635	19,849
Property	4,240	500	-	500	10,486
Other	700	409	208	201	295
	<u>1,986,087</u>	<u>2,011,079</u>	<u>1,948,239</u>	<u>62,840</u>	<u>1,896,966</u>
Instructional staff support:					
Salaries	713,052	787,498	760,539	26,959	802,511
Benefits	242,000	277,650	256,890	20,760	277,455
Purchased services	22,063	28,516	26,668	1,848	21,932
Supplies	70,839	133,343	115,705	17,638	61,436
Property	6,000	-	-	-	3,105
Other	2,900	1,000	395	605	1,737
	<u>1,056,854</u>	<u>1,228,007</u>	<u>1,160,197</u>	<u>67,810</u>	<u>1,168,176</u>
General administration:					
Salaries	499,417	322,289	321,411	878	569,580
Benefits	214,441	152,027	87,250	64,777	238,633
Purchased services	191,374	364,048	329,504	34,544	186,294
Supplies	22,500	20,750	12,635	8,115	29,789
Property	4,681	-	-	-	1,200
Other	18,000	9,000	3,736	5,264	3,189
	<u>950,413</u>	<u>868,114</u>	<u>754,536</u>	<u>113,578</u>	<u>1,028,685</u>
School administration:					
Salaries	2,463,588	2,568,276	2,546,594	21,682	2,586,653
Benefits	879,763	946,861	881,176	65,685	915,712
Purchased services	151,923	198,011	181,546	16,465	143,285
Supplies	54,183	54,267	53,480	787	52,580
Property	-	-	-	-	694
Other	3,075	2,374	1,664	710	4,015
	<u>3,552,532</u>	<u>3,769,789</u>	<u>3,664,460</u>	<u>105,329</u>	<u>3,702,939</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Business support:					
Salaries	\$ 381,540	\$ 1,050,777	\$ 1,057,958	\$ (7,181)	\$ 401,875
Benefits	127,656	342,991	328,083	14,908	134,737
Purchased services	182,512	344,692	251,357	93,335	175,998
Supplies	15,738	144,827	158,843	(14,016)	14,148
Other	500	2,250	336	1,914	276
	<u>707,946</u>	<u>1,885,537</u>	<u>1,796,577</u>	<u>88,960</u>	<u>727,034</u>
Operation and maintenance:					
Salaries	2,770,850	2,495,363	2,475,989	19,374	2,832,823
Benefits	913,246	906,343	842,679	63,664	955,292
Purchased services	1,649,590	1,441,766	1,259,734	182,032	1,292,512
Supplies	2,186,724	2,166,124	1,832,166	333,958	1,900,480
Property	67,805	67,905	47,539	20,366	307,839
	<u>7,588,215</u>	<u>7,077,501</u>	<u>6,458,107</u>	<u>619,394</u>	<u>7,288,946</u>
Student transportation:					
Salaries	1,546,493	1,564,731	1,483,644	81,087	1,590,914
Benefits	659,123	628,422	570,879	57,543	632,261
Purchased services	124,442	126,637	102,106	24,531	62,084
Supplies	659,258	472,279	382,697	89,582	383,880
Property	220,853	218,853	193,851	25,002	242,817
	<u>3,210,169</u>	<u>3,010,922</u>	<u>2,733,177</u>	<u>277,745</u>	<u>2,911,956</u>
Other support:					
Salaries	100,000	50,000	-	50,000	100,546
Benefits	250,000	250,500	68,952	181,548	82,928
Purchased services	1,500,000	1,549,000	1,144,500	404,500	1,262,907
Supplies	10,000	10,000	6,807	3,193	18,618
Property	-	-	-	-	1,242
	<u>1,860,000</u>	<u>1,859,500</u>	<u>1,220,259</u>	<u>639,241</u>	<u>1,466,241</u>
Total undistributed expenditures	<u>20,912,216</u>	<u>21,710,449</u>	<u>19,735,552</u>	<u>1,974,897</u>	<u>20,190,943</u>
Debt Service:					
Principal	-	-	103,000	(103,000)	-
Interest	-	-	192,383	(192,383)	104,957
	<u>-</u>	<u>-</u>	<u>295,383</u>	<u>(295,383)</u>	<u>104,957</u>
Contingency	<u>454,728</u>	<u>478,335</u>	<u>-</u>	<u>478,335</u>	<u>-</u>
Total Expenditures	<u>45,927,495</u>	<u>48,311,858</u>	<u>45,169,563</u>	<u>3,142,295</u>	<u>45,952,525</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Revenues Over (Under) Expenditures	\$ 2,059,922	\$ 1,152,035	\$ 4,339,928	\$ 3,187,893	\$ 4,794,957
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	5,000	5,000	-	(5,000)	11,210
Transfers to other funds	(3,981,077)	(4,040,000)	(4,040,000)	-	(4,450,000)
	<u>(3,976,077)</u>	<u>(4,035,000)</u>	<u>(4,040,000)</u>	<u>(5,000)</u>	<u>(4,438,790)</u>
Net Change in Fund Balance	(1,916,155)	(2,882,965)	299,928	3,182,893	356,167
FUND BALANCE, July 1	3,833,774	5,148,774	5,153,774	5,000	4,769,599
Increase (Decrease) in Reserve for Inventories	-	-	(6,896)	(6,896)	28,008
FUND BALANCE, June 30	<u>\$ 1,917,619</u>	<u>\$ 2,265,809</u>	<u>\$ 5,446,806</u>	<u>\$ 3,180,997</u>	<u>\$ 5,153,774</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SPECIAL EDUCATION FUND - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 30,000	\$ 15,000	\$ 3,106	\$ (11,894)	\$ 11,575
State sources:					
Distributive school account	2,532,300	2,823,528	2,783,760	(39,768)	2,814,194
Total Revenues	2,562,300	2,838,528	2,786,866	(51,662)	2,825,769
EXPENDITURES					
Special programs:					
Instruction:					
Salaries	4,091,737	4,188,043	4,160,122	27,921	3,967,383
Benefits	1,623,046	1,756,206	1,556,595	199,611	1,551,518
Purchased services	53,770	53,770	24,437	29,333	171,324
Supplies	18,973	18,973	14,551	4,422	10,599
Other	250	250	-	250	-
	5,787,776	6,017,242	5,755,705	261,537	5,700,824
Other direct support:					
Salaries	207,772	235,188	203,864	31,324	190,056
Benefits	74,445	84,258	68,913	15,345	66,339
Purchased services	156,416	156,416	90,514	65,902	68,986
Supplies	8,200	8,200	11,453	(3,253)	7,898
Property	5,000	5,000	-	5,000	5,856
	451,833	489,062	374,744	114,318	339,135
Student transportation:					
Salaries	333,843	337,144	291,966	45,178	290,719
Benefits	101,754	109,014	112,329	(3,315)	103,126
Purchased services	1,300	1,300	28,106	(26,806)	-
Supplies	48,354	48,354	-	48,354	27,897
Property	1,000	1,000	-	1,000	103,904
	486,251	496,812	432,401	64,411	525,646
Total Special Programs	6,725,860	7,003,116	6,562,850	440,266	6,565,605
Other instructional programs:					
Academically talented:					
Salaries	115,596	179,251	166,220	13,031	223,242
Benefits	41,109	73,834	44,057	29,777	82,046
Purchased services	-	-	-	-	199
Supplies	2,000	2,000	1,656	344	1,745
Other	70	70	-	70	159
Total Other Instructional	158,775	255,155	211,933	43,222	307,391

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SPECIAL EDUCATION FUND - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Contingency	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Total Expenditures	6,944,635	7,318,271	6,774,783	543,488	6,872,996
Revenues Over (Under) Expenditures	(4,382,335)	(4,479,743)	(3,987,917)	491,826	(4,047,227)
OTHER FINANCING SOURCES					
Transfers from other funds	3,810,000	3,880,000	3,880,000	-	4,350,000
Net Change in Fund Balance	(572,335)	(599,743)	(107,917)	491,826	302,773
FUND BALANCE, July 1	762,797	873,642	873,642	-	570,869
FUND BALANCE, June 30	\$ 190,462	\$ 273,899	\$ 765,725	\$ 491,826	\$ 873,642

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

FEDERAL AND STATE GRANTS FUND - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Grants from:					
Local Sources	\$ 42,330	\$ 760,621	\$ 572,903	\$ (187,718)	\$ 158,579
State Sources	2,942,396	950,258	831,591	(118,667)	2,508,213
Federal Sources	2,260,879	3,523,932	2,806,650	(717,282)	2,346,525
Total Revenues	5,245,605	5,234,811	4,211,144	(1,023,667)	5,013,317
EXPENDITURES					
Regular programs:					
Salaries	908,022	617,156	608,538	8,618	885,666
Benefits	240,994	216,884	187,782	29,102	219,936
Purchased services	178,923	35,565	10,353	25,212	152,405
Supplies	88,165	100,935	109,194	(8,259)	72,600
Property	59,982	-	-	-	58,030
Other	29,106	32,354	30,225	2,129	26,876
Total regular programs	1,505,192	1,002,894	946,092	56,802	1,415,513
Special programs:					
Salaries	626,661	901,902	735,929	165,973	644,156
Benefits	362,501	472,714	294,783	177,931	275,735
Purchased services	229,843	744,829	374,857	369,972	213,837
Supplies	11,100	47,132	29,603	17,529	7,583
Other	41,713	77,194	47,672	29,522	38,502
Total special programs	1,271,818	2,243,771	1,482,844	760,927	1,179,813
Vocational programs:					
Salaries	2,940	1,152	1,336	(184)	1,757
Benefits	134	-	26	(26)	66
Purchased services	10,159	9,827	12,158	(2,331)	6,801
Supplies	21,199	107,896	127,208	(19,312)	21,832
Property	20,846	77,370	50,199	27,171	23,138
Other	1,302	4,447	4,645	(198)	1,026
Total vocational programs	56,580	200,692	195,572	5,120	54,620

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

FEDERAL AND STATE GRANTS FUND - SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Adult education:					
Salaries	\$ 25,000	\$ 40,000	\$ 14,962	\$ 25,038	\$ 13,207
Benefits	5,000	-	465	(465)	359
Purchased services	675	14,000	3,284	10,716	758
Supplies	13,800	40,000	17,499	22,501	4,034
Other	1,681	3,983	1,196	2,787	619
Total adult education	46,156	97,983	37,406	60,577	18,977
ESL:					
Salaries	-	20,900	20,900	-	-
Benefits	-	8,109	8,109	-	-
Purchased services	-	6,294	3,176	3,118	-
Other	-	706	644	62	-
Total ESL	-	36,009	32,829	3,180	-
Undistributed expenditures:					
Student support:					
Salaries	38,341	74,868	57,917	16,951	-
Benefits	15,659	16,736	15,664	1,072	-
Supplies	-	1,947	1,947	-	-
Other	-	472	8	464	-
	54,000	94,023	75,536	18,487	-
Instructional staff support:					
Salaries	346,132	141,819	132,402	9,417	346,311
Benefits	54,634	7,377	5,744	1,633	68,948
Purchased services	1,441,835	52,941	68,624	(15,683)	1,349,022
Supplies	26,607	21,128	8,909	12,219	26,464
Property	2,725	-	-	-	2,725
Other	61,038	6,482	5,730	752	56,977
	1,932,971	229,747	221,409	8,338	1,850,447
Student transportation:					
Property	-	-	98,455	(98,455)	-
	-	-	98,455	(98,455)	-

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

FEDERAL AND STATE GRANTS FUND - SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other support:					
Salaries	\$ 378,888	\$ 579,163	\$ 592,489	\$ (13,326)	\$ 359,596
Benefits	-	-	1,401	(1,401)	-
Purchased services	-	194,500	47,260	147,240	475
Supplies	-	324,749	437,017	(112,268)	65,479
Property	-	-	79	(79)	22,797
	<u>378,888</u>	<u>1,098,412</u>	<u>1,078,246</u>	<u>20,166</u>	<u>448,347</u>
Parent involvement:					
Salaries	-	3,469	-	3,469	-
Benefits	-	68	-	68	-
Purchased services	-	500	-	500	-
Supplies	-	5,593	-	5,593	-
Other	-	250	-	250	-
	<u>-</u>	<u>9,880</u>	<u>-</u>	<u>9,880</u>	<u>-</u>
Building improvements:					
Purchased services	-	221,400	42,755	178,645	45,600
Total undistributed expenditures	<u>2,365,859</u>	<u>1,653,462</u>	<u>1,516,401</u>	<u>137,061</u>	<u>2,344,394</u>
Total Expenditures	<u>5,245,605</u>	<u>5,234,811</u>	<u>4,211,144</u>	<u>1,023,667</u>	<u>5,013,317</u>
Net Change in Fund Balance	-	-	-	-	-
FUND BALANCE, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2010	2009
ASSETS		
Current:		
Cash and investments	\$ 7,155,818	\$ 6,271,486
Receivables:		
Interest	1,065	-
Other	16,856	134,428
Premiums	588,570	668,425
Total Assets	<u>7,762,309</u>	<u>7,074,339</u>
LIABILITIES		
Current:		
Accounts payable and accrued expenses	80,095	76,201
Deferred revenue	588,570	666,945
Pending claims	1,444,610	1,420,415
Total Liabilities	<u>2,113,275</u>	<u>2,163,561</u>
NET ASSETS		
Restricted	<u>\$ 5,649,035</u>	<u>\$ 4,910,778</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2010	2009
OPERATING REVENUES		
Insurance premiums	\$ 6,537,732	\$ 7,434,219
Insurance proceeds and other	538,192	513,028
Total Operating Revenues	7,075,924	7,947,247
OPERATING EXPENSES		
Claims expense	5,549,521	6,009,965
Purchased services	803,402	889,667
Total Operating Expenses	6,352,923	6,899,632
Operating Income	723,001	1,047,615
NONOPERATING REVENUES		
Earnings on investments	15,256	77,382
Change in Net Assets	738,257	1,124,997
NET ASSETS, July 1	4,910,778	3,785,781
NET ASSETS, June 30	\$ 5,649,035	\$ 4,910,778

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from insurance premiums	\$ 6,539,212	\$ 7,686,828
Cash received from insurance proceeds and other	654,700	554,901
Cash paid for claims expense	(5,525,326)	(5,949,185)
Cash paid for services and supplies	(799,509)	(895,815)
Net cash provided by operating activities	869,077	1,396,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	15,256	77,382
NET INCREASE IN CASH	884,333	1,474,111
CASH AND INVESTMENTS, July 1	6,271,486	4,797,375
CASH AND INVESTMENTS, June 30	\$ 7,155,819	\$ 6,271,486
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 723,001	\$ 1,047,615
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables	116,508	41,873
Due from other funds	79,855	285,176
Accounts payable	3,893	(6,148)
Deferred revenue	24,195	(32,567)
Pending claims	(78,375)	60,780
Total Adjustments	146,076	349,114
Net cash provided by operating activities	\$ 869,077	\$ 1,396,729

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF AGENCY ASSETS AND LIABILITIES
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	STUDENT ACTIVITY FUNDS	
	2010	2009
ASSETS		
Cash and investments	<u>\$ 670,207</u>	<u>\$ 723,997</u>
LIABILITIES		
Due to student groups	<u>\$ 670,207</u>	<u>\$ 723,997</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Douglas County School District, Minden, Nevada (District) have been prepared in accordance with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for establishing governmental accounting and financial reporting.

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Reporting Entity

The District is organized under terms of legislation enacted in 1956 creating countywide school districts. The governing Board of Trustees consists of seven members elected by district voters for four-year terms and has authority to adopt and administer budgets. As required by GAAP, the accompanying financial statements include the accounts of all District operations. The District is not financially accountable for any other entity.

Basic Financial Statements – Government-Wide Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Interfund activities relating to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reflected on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities then unrestricted resources, as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by the general government revenues (ad valorem taxes, school support taxes, distributive school funds, government services tax and interest income not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Certain indirect costs are included as part of the program expenses reported for the various functional activities. Program revenues include operating grants and contributions and investment earnings legally restricted to support a specific program. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs (by function) are normally covered by general revenue. Historically, the previous reporting model did not summarize or present net cost by function or activity.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. District resources are allocated to and accounted for in the individual funds based upon the purposes for which they are intended and the means by which spending activities are controlled. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The emphasis of the fund financial statements is on the major funds in the governmental type activity category. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise categories combined) for the determination of major funds. District management may electively add funds as major funds, when it is determined the funds have specific community or management focus. Major individual governmental funds are reported as separate columns in the fund financial statements.

The focus of the governmental funds' measurement in the fund statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The focus for proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The District's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the costs of these services are reported in the appropriate functional activity.

The District's fiduciary fund is presented in the fiduciary fund financial statement by its agency type. Since, by definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

The District reports the following major **governmental funds**:

General Fund

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Special Education Fund

The Special Education Fund is also a special revenue fund which accounts for transactions of the District relating to educational services provided to children with special needs supported by state and local sources.

Federal and State Grants Fund

The Federal and State Grants Fund is a special revenue fund which accounts for transactions of the District relating to federally assisted grant programs, State of Nevada funded programs and locally funded programs.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by special revenues).

Bond Fund

The Bond Fund accounts for financial resources (currently from School Improvement bonds) to be used for school site facility improvements.

Additionally, the District reports the following fund types and funds:

Proprietary Funds:

Internal Service Funds

The Internal Service Funds account for the financing of services provided by one department to other departments of the District on a cost-reimbursement basis. The District's internal service funds account for its self-funded insurance activities.

Fiduciary Funds:

Agency Funds

The Agency Funds account for assets held by the District in a trustee capacity or as an agent for student activity funds.

Special Revenue Funds (Nonmajor):

Special Revenue funds account for proceeds of specific revenue sources (other than private purpose trust or major capital projects) that are legally restricted to expenditures for specified purposes. The District reports the following nonmajor Special Revenue funds: the Food Service Fund and the Class Size Reduction Fund.

Building and Sites Fund (Nonmajor):

The Building and Sites fund accounts for financial resources to be used for major improvements to the District's existing facilities.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Debt Service Fund (Nonmajor):

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt, capital leases, and other debt of governmental activities.

Basis of Accounting / Measurement Focus

The measurement focus describes the types of transactions and events that are reported in a fund's operating statement. The basis of accounting refers to the timing of revenues, how expenditures/expenses are recognized in the accounts, and how they are reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred revenue account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting.

Proprietary Funds

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accounts payable include provisions for claims reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

each claimant. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Those revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The accounting records for the agency funds are maintained on the economic resources measurement focus and accrual basis of accounting.

Property Taxes

Taxes on real property are levied and the lien attaches on July 1st of each year. They are due on the third Monday of August and can be paid in quarterly installments on or before the third Monday of August and the first Monday of October, January, and March, respectively. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. If delinquent taxes are not paid within the two-year redemption period, the Treasurer of Douglas County obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the Treasurer may sell the property to satisfy the tax lien.

Property tax revenue and the related receivable have been recognized for property tax assessments in the fiscal year for which they were levied, provided that such taxes were collected within 60 days after the District's year-end. Taxes receivable not collected within such time period are recorded as deferred revenue at the District's year-end. To record amounts due and deemed collectible, secured roll property taxes receivable reflect only those taxes receivable from the last two delinquent roll years.

Budgets and Budgetary Accounting

The District adheres to the *Local Government Budget and Finance Act* incorporated within the statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data which is reflected in these financial statements:

1. Prior to April 15, the District's Board of Trustees (the Board) files a tentative budget with the Nevada Department of Taxation and the Nevada Department of Education for the fiscal year beginning the following July 1. For all funds except Agency funds, the tentative budget includes proposed expenditures and the means of financing them.
2. Prior to June 8, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the Board's members.
3. On or before the following January 1, the Board of Trustees adopts an amended final budget to reflect any adjustments necessary as a result of the complete count of students.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

4. The Superintendent of Schools is authorized to transfer appropriations between accounts within departments and funds, if amounts do not exceed the original budget, subject to subsequent approval by the Board of Trustees. Augmentations in excess of the original budget require approval from the Board of Trustees.
5. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue funds, the Debt Service Fund, Capital Projects funds, and the Internal Service funds. Such funds have legally adopted annual budgets which lapse at year-end. The fund balance described as "Designated for Subsequent Year's Expenditures" in these financial statements represents that portion of the ending fund balance which has been obligated in the 2010-2011 budget.
6. Budgeted appropriations may not be exceeded by actual expenditures of the various programs in the budgeted governmental funds. The sum of operating and nonoperating expenses in the Internal Service funds may not exceed appropriations.
7. All budgets are adopted on a basis consistent with GAAP. The accompanying financial statements reflect the Original Budget and the Final Budget, which has been adjusted for legally authorized revisions made during the year.

Cash and Investments

The District pools cash and investment resources of its various funds in order to facilitate the management of its cash and investments. Amounts applicable to a particular fund are readily identifiable.

The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the District's investments. Investments are carried at fair value as determined by quoted market prices, net of accrued interest as provided by the pool sponsors.

Pursuant to NRS 355.170 and 355.175, the District may invest in the following types of securities:

1. United States bonds and debentures maturing within 10 years from the date of purchase.
2. Certain farm loan bonds.
3. Securities of the United States Treasury, obligations of an agency or instrumentality of the United States, or a corporation sponsored by the government maturing within (10) years from the date of purchase.
4. Negotiable certificates of deposit from commercial banks, insured credit unions or savings and loan associations.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

5. Certain nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions, or insured savings and loan associations.
6. Certain securities issued by local governments of the State of Nevada.
7. Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and certain money market mutual funds.
8. Certain obligations of state and local governments.
9. State of Nevada Local Government Investment Pool Fund.
10. Other securities expressly provided by other statutes, including repurchase agreements.

Statements of Cash Flows

For purposes of the statements of cash flows, the District considers all short-term highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories in the General Fund and Food Services Special Revenue Fund are maintained on the consumption basis of accounting, where items are purchased for inventory and recorded as expenditures as the items are consumed. Inventories are valued at cost, as determined using the first-in, first-out (FIFO) cost method, except for commodities, which are stated at their fair value.

Capital Assets

Capital assets, which include land, buildings, machinery, and equipment, are reported in the government-wide financial statements. The District defines capital assets as having an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. If purchased or constructed, all capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	20-50
Vehicles/Buses	8
Equipment	5-15

Allowance for Uncollectible Receivables

The District has not established an allowance for uncollectible receivables since prior experience has shown that uncollectible receivables are not significant in amount.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Accrued Liabilities

Accrued liabilities consist principally of teacher, administrator, and other District employee salaries and benefits for the school program year ended June 30, 2010, but not yet paid.

Expenditures

Expenditure data is characterized by major program classifications pursuant to the provisions of the Handbook II (Revised) Accounting System established by the State of Nevada Department of Education. A brief description of these program classifications follows:

Regular programs are activities designed to provide elementary and secondary students with learning experiences to prepare them as citizens, family members, and non-vocational workers.

Special programs are activities designed primarily to serve students having special needs. Special programs include services for the gifted and talented, mentally challenged, physically handicapped, emotionally disturbed, culturally different, learning disabled, bilingual, and special programs for other types of students at all levels.

Vocational programs are learning experiences that will provide individuals with the opportunity to develop the necessary knowledge, skills, and attitudes needed for occupational employment.

Other instructional programs are activities that provide elementary and secondary students with learning experiences in school-sponsored activities, athletics, and summer school.

Adult education programs are learning experiences designed to develop knowledge and skills to meet intermediate and long-range educational objectives for adults, who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities.

Undistributed expenditures are charges not readily assignable to a specific program. Student and instructional staff support and overall general and administrative cost are classified as undistributed expenditures. Also included are cost of operating, maintaining, and constructing the physical facilities of the District.

Food services programs consist of activities to provide food service to students and staff.

Compensated Absences

Teachers and certain school administrators do not receive vacation leave. For other District employees, vacation leave is earned at rates dependent on length of employment and can be accumulated to specific maximum days/hours. Employees are allowed to accumulate sick days for future use up to certain maximums. Vested sick leave will be paid by the District to eligible employees. Payment will be made in the form of insurance premiums at the rate of \$25 per day of accumulated and vested sick leave. Alternatively, payment may be made as a lump sum. The current portion of vacation and sick leave is recorded as a payroll expenditure. The estimated long-term liability for vacation and sick leave is accounted for in the government-wide financial statements.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses/expenditures and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from these estimates.

Prior Year Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which summarized information was derived. Certain amounts presented in the prior year data may be reclassified in order to be consistent with the current year's presentation.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

The District conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 – CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of the pool is displayed on the Governmental Funds Balance Sheet as "Cash and Investments." Student Activity Funds are reported as Agency funds. These funds are not part of the District's pooled cash and investments; rather, they are held separately.

As of June 30, 2010, the District had the following amounts reported as cash and investments:

<u>Government-Wide Balances:</u>	
Pooled cash	\$ 1,807,703
Deposit held with fiscal agent	431,641
Investments	<u>35,580,000</u>
	37,819,344
<u>Fiduciary Fund Balances:</u>	
Cash held by Student Activity Funds	<u>670,207</u>
Total Cash and Investments	<u>\$ 38,489,551</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The following is a list of cash and deposits indicating collateral or insurance on these deposits:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000
Uninsured but collateralized by securities held in the name of the Office of the State Treasurer/Nevada Collateral Pool	<u>1,603,556</u>
	<u>\$ 1,853,556</u>

As of June 30, 2010, the District had the following investments, at fair value with a maturity date of less than one year:

State of Nevada, Local Government Investment Pool	<u>\$ 35,580,000</u>
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The Local Government Investment Pool is authorized by NRS 355.167 and is administered by the State Treasurer. Administrative policies are adopted by the State Board of Finance, which has oversight responsibilities of the Fund. The fair value of the District's position in the pool equals the value of the pool shares. The \$35,580,000 investment in the State Treasurer's Local Government Investment Pool is carried at market. This Pool is an unrated external investment pool.

Interest Rate Risk – Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from the rise in interest rates. To limit exposure to interest rate risk, the Nevada Revised Statutes limits bankers' acceptances to 180 days maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. In accordance with the Nevada Revised Statutes, the District limits its investment instruments by their credit risk. The State of Nevada Local Government Investment Pool and the Douglas County Investment Pool are unrated external investment pools.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank or brokerage failure, the District's deposits may not be returned. The District's bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 4 – FUND BALANCE/NET ASSETS – RESTRICTIONS, RESERVATIONS, AND DESIGNATIONS

Government-Wide Financial Statements

The government-wide Statement of Net Assets utilizes a net asset presentation. Net assets are categorized as invested in capital assets-net of related debt, restricted and unrestricted. Related debt is the debt outstanding that relates to the acquisition, construction or improvement of capital assets.

Restricted net assets are net assets which have third-party (statutory, bond covenant or granting agency) limitation on their use. Restricted net assets are classified either by function, debt service, project or claims.

The restriction for debt service represents net assets legally restricted by statute or bond covenants for future debt service requirements of both principal and interest. The amount restricted for projects consists of unspent grants, donations, and debt proceeds with third party restrictions for use on specific projects or programs.

Unrestricted net assets represent available financial resources of the District.

Fund Financial Statements

The District records the portion of fund balance which is legally segregated for a specific future purpose as a reserve.

Following is a list of reserves used by the District and a description of each:

Reserved for Inventories – an account used to segregate the portion of fund balance which is composed of inventory and, as such, is not available for other discretionary expenditures.

Reserved for Debt Service – an account used to segregate the fund balance for Debt Service Fund resources, which is legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for Capital Projects – an account used to segregate the portion of fund balance for the amount of construction contracts for which the District is committed, but the capital project is not yet complete.

Designations of fund balances are not legally required but are segregated for a specific purpose. The District records the following designations of unreserved balances:

Designated for Subsequent Year's Expenditures – This amount is the budgeted opening fund balance for the forthcoming year. Amounts in excess of the budgeted opening fund balance are shown as undesignated.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2010 is shown below:

	Balance June 30, 2009	Additions / Transfers	Deletions / Transfers	Balance June 30, 2010
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,413,439	\$ -	\$ -	\$ 1,413,439
Construction in progress	<u>6,650,585</u>	<u>1,670,177</u>	<u>(6,324,217)</u>	<u>1,996,545</u>
Total capital assets, not being depreciated	<u>8,064,024</u>	<u>1,670,177</u>	<u>(6,324,217)</u>	<u>3,409,984</u>
Other capital assets:				
Buildings and improvements	85,811,632	10,054,889	(4,000)	95,862,521
Equipment and vehicles	<u>7,254,245</u>	<u>500,411</u>	<u>(632,295)</u>	<u>7,122,361</u>
Total capital assets being depreciated	<u>93,065,877</u>	<u>10,555,300</u>	<u>(636,295)</u>	<u>102,984,882</u>
Total capital assets	<u>101,129,901</u>	<u>12,225,477</u>	<u>(6,960,512)</u>	<u>106,394,866</u>
Less accumulated depreciation for:				
Buildings and improvements	41,634,864	2,336,577	(300)	43,971,141
Equipment and vehicles	<u>4,528,185</u>	<u>462,468</u>	<u>(183,983)</u>	<u>4,806,670</u>
Total accumulated depreciation	<u>46,163,049</u>	<u>2,799,045</u>	<u>(184,283)</u>	<u>48,777,811</u>
Governmental activities, capital assets, net	<u>\$ 54,966,852</u>	<u>\$ 9,426,432</u>	<u>\$ (6,776,229)</u>	<u>\$ 57,617,055</u>

Depreciation expense was allocated to the following functions/programs:

Instruction:		Support:	
Regular	\$ 170,737	Student	\$ 3,572
Special	51,374	Instructional staff	39,391
Vocational	33,797	General administration	804
Other	<u>4,959</u>	School administration	1,032
	<u>260,867</u>	Business administration	1,118
		Operations and maintenance	91,147
		Student transportation	190,785
		Facilities construction and improvement	2,208,070
		Food services	<u>2,259</u>
			<u>2,538,178</u>
Summary:			
		Instruction	260,867
		Support	<u>2,538,178</u>
		Total depreciation expense	<u>\$ 2,799,045</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 6 – GENERAL LONG-TERM OBLIGATIONS, NOTES, AND CAPITAL LEASES

General Long-Term Obligations

General long-term obligations consist of the following at June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
General Obligation Refunding Bonds issued February 20, 2003, in the amount of \$5,750,000 due serially over 8 years, interest at 1.5% to 3.3%.	\$ 1,745,000	\$ -	\$ (860,000)	\$ 885,000
General Obligation School Improvement Bonds issued February 11, 2009, in the amount of \$3,500,000 due serially over 20 years, interest at 3.0% to 4.0%.	3,500,000	-	-	3,500,000
General Obligation School Improvement (Build America) Bonds issued March 25, 2010, in the amount of \$12,625,000 due serially over 20 years, interest at 4.9% to 6.1%.	-	12,625,000	-	12,625,000
General Obligation School Improvement Bonds issued March 25, 2010, in the amount of \$2,375,000 due serially over 8 years, interest at 3.0% to 4.0%.	-	2,375,000	-	2,375,000
General Obligation Qualified School Construction Bonds issued May 13, 2010, in the amount of \$2,000,000 due serially over 17 years, interest at 6.4%.	-	2,000,000	-	2,000,000
General Obligation Qualified School Construction Bonds issued May 13, 2010, in the amount of \$305,000 due serially over 5 years, interest at 4.5%.	-	305,000	-	305,000
	<u>\$ 5,245,000</u>	<u>\$ 17,305,000</u>	<u>\$ (860,000)</u>	<u>\$ 21,690,000</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The annual requirements to amortize all General Obligation Debt outstanding as of June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Interest Subsidy	Total Requirements
2011	\$ 885,000	\$ 1,115,277	(370,787)	\$ 1,629,490
2012	140,000	1,089,134	(381,368)	847,766
2013	525,000	1,084,234	(381,368)	1,227,866
2014	530,000	1,067,759	(381,368)	1,216,391
2015	845,000	1,051,134	(381,368)	1,514,766
2016 - 2020	3,810,000	4,861,400	(1,829,128)	6,842,272
2021 - 2025	5,980,000	3,650,453	(1,497,482)	8,132,971
2026 - 2030	8,975,000	1,484,954	(617,213)	9,842,741
	<u>\$ 21,690,000</u>	<u>\$ 15,404,345</u>	<u>\$ (5,840,082)</u>	<u>\$ 31,254,263</u>

Installment Note Payable

On July 1, 2008, the District entered into an installment purchase agreement with Bank of America in the amount of \$5,095,000 to finance District wide energy efficiency improvements. Payments on the note including 4.12% interest began in January 2009 and will continue until July 2023.

The annual requirements to amortize the outstanding installment note payable as of June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2011	\$ 119,000	\$ 204,455	\$ 323,455
2012	129,000	199,449	328,449
2013	283,000	192,568	475,568
2014	247,000	181,280	428,280
2015	316,000	170,403	486,403
2015 - 2019	1,482,000	538,547	2,020,547
2020 - 2024	2,416,000	261,167	2,677,167
	<u>\$ 4,992,000</u>	<u>\$ 1,747,869</u>	<u>\$ 6,739,869</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Capital Lease

In January of 2007, the District entered into an lease-purchase agreement to borrow \$149,399 from Leasing Innovations, Incorporated for the purchase of licenses to the PowerSchool software program. Annual payments of \$43,826, including 6.4% interest began in July 2007 and will continue until July 2010. The final payment of \$43,826 to be made in July 2010 will consist of \$31,964 in principal and \$11,862 in interest. Upon final payment the District intends to exercise a purchase option to acquire the software license for \$1.

Changes in Long-Term Obligations

	Balance July 1, 2009	Additions of New Debt	Retirements, Repayments and Reductions	Balance June 30, 2010	Due Within One Year
General Obligation Bonds	\$ 5,245,000	\$ 17,305,000	\$ (860,000)	\$ 21,690,000	\$ 885,000
Plus: Bond Premiums	923,705	151,276	(471,723)	603,258	476,402
Less: Bond Discounts	-	(110,205)	7,529	(102,676)	(10,336)
Total Bonds Payable	6,168,705	17,346,071	(1,324,194)	22,190,582	1,351,066
Compensated Absences	341,763	21,491	-	363,254	-
Capital Lease	70,182	-	(38,218)	31,964	31,964
Installment Note Payable	5,095,000	-	(103,000)	4,992,000	119,000
	<u>\$ 11,675,650</u>	<u>\$ 17,367,562</u>	<u>\$ (1,465,412)</u>	<u>\$ 27,577,800</u>	<u>\$ 1,502,030</u>

Total interest expense for the year ended June 30, 2010 was \$288,264.

The District was, in accordance with NRS 387.400, within the legal debt limit at June 30, 2010.

NOTE 7 – PENSION PLAN

Plan Description

The District contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Funding Policy

Benefits for plan members are funded under one of two methods. Under the employer paid contribution plan, the District is required to contribute all amounts due under the Plan. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the Plan, while the District is required to match that contribution. The contribution requirements of plan members and the District are established by Chapter 286 of the Nevada Revised Statutes and may only be amended through legislation.

The District's contribution rates and amounts paid on all covered payroll which are equal to the required contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate</u>		<u>Total Contribution</u>
	<u>Employer plan</u>	<u>Employer/ Employee plan</u>	
2010	21.50%	11.25% / 11.25%	\$ 6,636,065
2009	20.50%	10.5% / 10.5%	\$ 6,423,108
2008	20.50%	10.5% / 10.5%	\$ 6,414,365

NOTE 8 – INTERFUND TRANSFERS, RECEIVABLES & PAYABLES

The cost of health insurance benefits are accounted for in an internal service fund which assesses each fund based on total enrolled members in the District's plan. The amount due to the Health Insurance Health Fund at year end represents the portion attributable to year end accrued salaries. Additionally, resources were needed from the Debt Service Fund for future expenditures in the Capital Projects Fund. Interfund receivable and payable balances at June 30, 2010 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 445,034
Special Education Fund	-	82,385
Federal and State Grants Fund	-	23,763
Capital Projects Fund	200,000	-
Nonmajor Governmental Funds:		
Debt Service Fund	-	200,000
Food Service Fund	-	10,147
Class Size Reduction Fund	-	27,241
Internal Service Funds:		
Self Insurance Health Fund	588,570	-
	<u>\$ 788,570</u>	<u>\$ 788,570</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Interfund transfers are shown as other financing sources (uses) in all funds other than the internal service funds, where they are shown as operating transfers. Transfers are used to reimburse funds for indirect costs, and to supplement programs that are not fully funded by general revenues through the distributive school account. Transfers made during the year ended June 30, 2010 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Funds:</i>		
General Fund	\$ -	\$ 4,040,000
Debt Service Fund	-	200,000
Capital Projects Fund	200,000	-
Special Revenue Funds:		
Special Education Fund	3,880,000	-
Class Size Reduction Fund	160,000	-
	<u>\$ 4,240,000</u>	<u>\$ 4,240,000</u>

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Effective July 1, 2008, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability of \$2,117,330.

Retirees of the District may receive these other postemployment benefits (OPEB) through the Nevada Public Employees' Benefits Program (PEBP) or through the District's healthcare plan offered to its active employees.

Plan Descriptions

Nevada Public Employees' Benefits Program

The District contributes to the Nevada Public Employees' Benefits Program (PEBP), an agent, multiple-employer defined benefit plan, which provides medical benefits to eligible retired District employees and their beneficiaries. PEBP is administered by the Board of the Public Employees' Benefits Program, consisting of nine appointed members. Before November 30, 2008, NRS 287.023 allowed retirees of local governments meeting established criteria to enroll in the PEBP and required the local governments to subsidize the cost of their retirees' premiums. Although retirees may no longer enroll in the PEBP, retirees enrolled as of November 30, 2008 may remain in the plan with continued premium subsidies paid by the District. The PEBP issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Nevada Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, Nevada 89701. The information is also located on their website at www.pebp.state.nv.us, or by calling (800) 326-5496.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Douglas County School District Healthcare Plan

The District administers a single-employer defined benefit healthcare plan. This plan provides postemployment healthcare benefits to retirees of the District. Any retiree who participates in the Nevada Public Employees' Retirement System (PERS) may purchase coverage for themselves and dependents at the same premium rate which is charged to the District's active employees. Because retirees pay the same premium as active employees rather than a higher rate that would result from rating retirees as a separate insured group, the District incurs the cost of an implicit premium subsidy. A separate report has not been issued for this plan.

Plan membership consisted of 807 active plan members and 25 retirees as of March 1, 2008, the date of the latest actuarial valuation.

Funding Policy

Nevada Public Employees' Benefits Program

The contribution requirements of plan members and the District are established and may be amended by the Board of the Public Employees' Benefits Program. The amount of subsidy an individual retiree is entitled is predicated on the years of service and a legislatively determined base amount. The District contributed \$1,390,044 during the year on behalf of 229 participating retirees.

Douglas County School District Healthcare Plan

Retirees electing to continue coverage under the District's plan must pay the full cost of premiums as if an active employee. The District pays the full cost of the premiums for active employees and, therefore, pays the implicit cost of retirees' coverage. The District has elected to pay the implicit cost of postemployment benefits on the *pay-as-you-go* basis.

The annual required contribution rate was 3.3% of payroll for 2010, based on the last actuarial valuation. The District is self-insured for healthcare coverage. NRS 288.150 specifies that insurance benefits are subject to mandatory bargaining. The amount employees contribute towards their insurance premium is negotiated with each association and was the full cost of the employees' coverage for 2010.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined, as set forth by GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed by the District, and changes in the District's net OPEB obligation for the healthcare benefits:

	Plan		Total
	District	PEBP	
Annual Required Contribution (ARC)	\$1,187,263	\$ 1,259,736	\$2,446,999
Interest on net OPEB obligation	40,974	(1,442)	39,532
Adjustment to ARC	(40,709)	1,475	(39,234)
Annual OPEB cost	1,187,528	1,259,769	2,447,297
Contributions made	(173,785)	(1,390,044)	(1,563,829)
Increase (decrease) in net OPEB obligation	1,013,743	(130,275)	883,468
Net OPEB obligation - beginning of year	1,024,356	209,506	1,233,862
Net OPEB obligation - end of year	<u>\$2,038,099</u>	<u>\$ 79,231</u>	<u>\$2,117,330</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

	2010	2009
Annual OPEB Cost	\$2,447,297	\$2,327,667
% of Annual OPEB Cost Contributed	64%	47%
Net OPEB Obligation	\$2,117,330	\$1,233,862

Funded Status and Funding Progress

As of March 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (AAL) for benefits and, thus, the unfunded actuarial accrued liability was \$40,227,923. The covered payroll was \$36,122,460 and the ratio of unfunded actuarial accrued liability to payroll was 111.36%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplemental information (RSI) following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, because the District maintains no plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because 2009 was the District's initial year of implementation for GASB Statement No. 45 and its requirements were implemented prospectively, the RSI reflects the required information for the 2009 and 2010 fiscal years.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

	District	PEBP
Actuarial Valuation Date	March 1, 2008	July 1, 2008
Actuarial Cost Method	Entry age normal cost	Entry age normal cost
Amortization Period	30 years	30 years
Amortization Method	Level Percentage Amount	Level Percentage Amount
Asset Valuation Method	Market Value	Market Value
Investment Rate of Return	4%	4%
Projected Salary Increases	6.50%	Varies
Healthcare Inflation Rate		
Initial Rate	12%	3%-10.8%
Ultimate Rate	5%	5%

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Self-Insurance Health Fund

The District contributed approximately \$662 per month per employee (with a rate decrease in May 2010 to \$575) to this fund for health and accident coverage. In addition, employees have the option to authorize payroll deductions for premiums for dependent coverage. The premiums are adjusted annually as necessary to properly allow for health and accident claims. The District's third party administrator monitors and negotiates payment of all health and accident claims.

The District is protected against unanticipated catastrophic individual or aggregate loss through its stop-loss coverage, which is in effect for individual claims exceeding \$150,000 and for aggregate loss, which is based on a factor determined monthly by the carrier.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Workers' Compensation Self-Insurance Fund

Claims are paid by a third party administrator acting on behalf of the District. The District is protected against unanticipated catastrophic claims and annual aggregate loss by a commercial insurance carrier. Coverage is in effect for specific occurrences exceeding \$350,000. Liabilities for incurred losses to be settled by fixed or reasonably determined payments over an extended period of time are computed by an actuary and are reported at their present value using an expected future investment yield of 3%.

The self-insurance funds are reported as internal service funds in the accompanying financial statements. Liabilities are recorded in the financial statements if it is probable that a liability has been incurred at the date of the financial statements and a reasonable estimate of the liability can be made. These liabilities include an estimate for claims that have been incurred but not yet reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are reevaluated annually to take into consideration recently settled claims, claim frequency, and other economic and social factors.

The changes in the claims liability for the years ended June 30, 2009 and 2010 are as follows:

	Self-Insurance Funds		
	Health Fund	Workers' Compensation	Total
Claims liability, July 1, 2008	\$ 858,635	\$ 501,000	\$ 1,359,635
Current year claims and changes in estimates	5,550,266	520,479	6,070,745
Claim payments	<u>(5,622,486)</u>	<u>(387,479)</u>	<u>(6,009,965)</u>
Claims liability, June 30, 2009	786,415	634,000	1,420,415
Current year claims and changes in estimates	5,425,315	86,206	5,511,521
Claim payments	<u>(5,363,120)</u>	<u>(124,206)</u>	<u>(5,487,326)</u>
Claims liability, June 30, 2010	<u>\$ 848,610</u>	<u>\$ 596,000</u>	<u>\$ 1,444,610</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of management, any resulting uninsured liability will not have a material effect, if any, on the financial position or results of the operations of the District.

Construction Commitments

As of June 30, 2010, the District had commitments with respect to unfinished capital projects. Included in those commitments are the following:

George Whittell High School - Gym	\$ 40,000
District Wide - ESCO Projects	2,703,202
District Wide - Rekey	479,720
Douglas High School - Rewire	164,955
	<u>\$ 3,387,877</u>

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the District entered into agreements to complete the following capital projects:

Minden Elementary School - Promethian Boards	\$ 176,453
Pinon Hills/Minden Elementary School - Chiller Walls	51,394
District Wide - Rekey	138,742
District Wide - Pre-construction Services	36,625
	<u>\$ 403,214</u>

In November 2010, the District also entered into agreements for architectural services to be provided for the modernization and addition projects planned for Gardnerville and Pinon Hills Elementary Schools. The proposed fee for the Gardnerville and Pinon Hills Elementary projects will constitute 11.5% and 10% of the final construction costs, respectively. The final construction costs are unknown as of the date of the independent auditors' report.

DOUGLAS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS JUNE 30, 2010

Plan	Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as % of Covered Payroll [(B-A)/C]
District	6/30/10	3/1/2008	\$ -	\$ 8,626,736	\$ 8,626,736	0.0%	\$ 36,122,460	23.88%
	6/30/09	3/1/2008	-	7,571,027	7,571,027	0.0%	33,397,245	22.67%
PEBP	6/30/10	3/1/2008	\$ -	\$ 31,601,187	\$ 31,601,187	0.0%	\$ 36,122,460	87.48%
	6/30/09	3/1/2008	-	31,351,524	31,351,524	0.0%	33,397,245	93.87%

DOUGLAS COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Motor vehicle privilege tax	\$ 1,249,159	\$ 1,035,000	\$ 1,039,431	\$ 4,431	\$ 1,129,982
Residential building permit tax	148,974	44,000	86,742	42,742	125,103
Earnings on investments	110,255	5,000	1,157	(3,843)	36,945
Donation	1,332,614	875,000	875,000	-	100,000
Other	-	900,000	-	(900,000)	-
Total Revenues	<u>2,841,002</u>	<u>2,859,000</u>	<u>2,002,330</u>	<u>(856,670)</u>	<u>1,392,030</u>
EXPENDITURES					
Other support:					
Purchased services	-	250,000	-	250,000	-
Supplies	60,000	650,000	825,611	(175,611)	58,551
Property	560,000	-	-	-	332,395
	<u>620,000</u>	<u>900,000</u>	<u>825,611</u>	<u>74,389</u>	<u>390,946</u>
Site improvements:					
Purchased services	-	5,000	5,000	-	187,551
Supplies	-	700	631	69	1,037
Property	-	-	-	-	2,033
	<u>-</u>	<u>5,700</u>	<u>5,631</u>	<u>69</u>	<u>190,621</u>
Building construction:					
Purchased services	2,155,000	1,750,000	1,580,531	169,469	229,132
Building improvements:					
Purchased services	946,280	1,200,000	606,941	593,059	6,256,828
Supplies	-	15,000	14,559	441	12,879
Property	-	30,000	22,250	7,750	-
	<u>946,280</u>	<u>1,245,000</u>	<u>643,750</u>	<u>601,250</u>	<u>6,269,707</u>
Total Expenditures	<u>3,721,280</u>	<u>3,900,700</u>	<u>3,055,523</u>	<u>845,177</u>	<u>7,080,406</u>
Revenues Over (Under)					
Expenditures	<u>(880,278)</u>	<u>(1,041,700)</u>	<u>(1,053,193)</u>	<u>(11,493)</u>	<u>(5,688,376)</u>
OTHER FINANCING SOURCES					
Transfer from other funds	-	200,000	200,000	-	-
Installment note proceeds	-	-	-	-	5,095,000
	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>5,095,000</u>
Net Change in Fund Balance	(880,278)	(841,700)	(853,193)	(11,493)	(593,376)
FUND BALANCE, July 1	<u>1,679,433</u>	<u>1,325,511</u>	<u>1,325,511</u>	<u>-</u>	<u>1,918,887</u>
FUND BALANCE, June 30	<u>\$ 799,155</u>	<u>\$ 483,811</u>	<u>\$ 472,318</u>	<u>\$ (11,493)</u>	<u>\$ 1,325,511</u>

DOUGLAS COUNTY SCHOOL DISTRICT

BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 14,346	\$ 4,378	\$ 12,845	\$ 8,467	\$ 8,767
Total Revenues	14,346	4,378	12,845	8,467	8,767
EXPENDITURES					
Other support:					
Purchased services	-	170,000	131,954	38,046	-
Building improvement:					
Purchased services	3,454,246	5,193,197	2,363,298	2,829,899	742,857
Total Expenditures	3,454,246	5,363,197	2,495,252	2,867,945	742,857
Revenues Over (Under) Expenditures	(3,439,900)	(5,358,819)	(2,482,407)	2,876,412	(734,090)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds	-	17,346,071	17,305,000	(41,071)	3,509,465
Bond premiums	-	-	151,276	151,276	-
Bond discounts	-	-	(110,205)	(110,205)	-
Bond issuance costs	-	-	-	-	(87,111)
Total Other Financing Sources (Uses)	-	17,346,071	17,346,071	-	3,422,354
Net Change in Fund Balance	(3,439,900)	11,987,252	14,863,664	2,876,412	2,688,264
FUND BALANCE, July 1	3,443,102	2,688,264	2,688,264	-	-
FUND BALANCE, June 30	\$ 3,202	\$ 14,675,516	\$ 17,551,928	\$ 2,876,412	\$ 2,688,264

DOUGLAS COUNTY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE	CLASS SIZE REDUCTION	TOTALS	BUILDING AND SITES	DEBT SERVICE	2010	2009
ASSETS							
Cash and investments	\$ 643,416	\$ 232,354	\$ 875,770	\$ 53,926	\$ 2,060,230	\$ 2,989,926	\$ 891,228
Deposit held by fiscal agent	-	-	-	-	42,222	42,222	453,300
Receivables:							
Taxes, delinquent	-	-	-	-	72,894	72,894	61,007
Interest	-	94	94	684	-	778	1,515
Due from other governments	13,900	-	13,900	-	-	13,900	15,428
Inventories	37,109	-	37,109	-	-	37,109	43,059
Total Assets	\$ 694,425	\$ 232,448	\$ 926,873	\$ 54,610	\$ 2,175,346	\$ 3,156,829	\$ 1,465,537
LIABILITIES							
Accounts payable and accrued liabilities	\$ 80,363	\$ 166,920	\$ 247,283	\$ -	\$ -	\$ 247,283	\$ 290,543
Due to other funds	10,147	27,241	37,388	-	200,000	237,388	-
Deferred revenues	-	-	-	-	68,731	68,731	59,218
Total Liabilities	90,510	194,161	284,671	-	268,731	553,402	349,761
FUND BALANCES							
Reserved for:							
Inventories	37,109	-	37,109	-	-	37,109	43,059
Debt service	-	-	-	-	1,906,615	1,906,615	456,188
Capital projects	-	-	-	54,610	-	54,610	31,080
Designated for:							
Subsequent year's expenditures	351,810	38,287	390,097	-	-	390,097	480,521
Unreserved and undesignated	214,996	-	214,996	-	-	214,996	104,928
Total Fund Balances	603,915	38,287	642,202	54,610	1,906,615	2,603,427	1,115,776
Total Liabilities and Fund Balances	\$ 694,425	\$ 232,448	\$ 926,873	\$ 54,610	\$ 2,175,346	\$ 3,156,829	\$ 1,465,537

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND BUILDING AND SITES	DEBT SERVICE FUND DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE	CLASS SIZE REDUCTION	TOTALS			2010	2009
REVENUES							
Local sources	\$ 719,067	\$ 1,071	\$ 720,138	\$ 23,530	\$ 2,721,588	\$ 3,465,256	\$ 3,489,387
State sources	5,831	2,023,834	2,029,665	-	-	2,029,665	2,206,892
Federal sources	953,262	-	953,262	-	-	953,262	809,817
Total Revenues	1,678,160	2,024,905	3,703,065	23,530	2,721,588	6,448,183	6,506,096
EXPENDITURES							
Instruction - regular programs	-	2,245,830	2,245,830	-	-	2,245,830	2,275,576
Food service	1,597,591	-	1,597,591	-	-	1,597,591	1,596,317
Facilities acquisition/construction	-	-	-	-	-	-	394,452
Debt service:							
Principal	-	-	-	-	860,000	860,000	3,665,000
Interest	-	-	-	-	209,911	209,911	205,448
Fiscal agent charges	-	-	-	-	1,250	1,250	125
Total Expenditures	1,597,591	2,245,830	3,843,421	-	1,071,161	4,914,582	8,136,918
Revenues Over (Under) Expenditures	80,569	(220,925)	(140,356)	23,530	1,650,427	1,533,601	(1,630,822)
OTHER FINANCING SOURCES (USES)							
Transfers to (from) other funds	-	160,000	160,000	-	(200,000)	(40,000)	100,000
Net Change in Fund Balances	80,569	(60,925)	19,644	23,530	1,450,427	1,493,601	(1,530,822)
FUND BALANCES, July 1	529,296	99,212	628,508	31,080	456,188	1,115,776	2,653,929
Increase (decrease) in reserve for inventories	(5,950)	-	(5,950)	-	-	(5,950)	(7,331)
FUND BALANCES, June 30	\$ 603,915	\$ 38,287	\$ 642,202	\$ 54,610	\$ 1,906,615	\$ 2,603,427	\$ 1,115,776

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 10,000	\$ 5,000	\$ 1,096	\$ (3,904)	\$ 4,295
Daily sales	980,000	980,000	717,971	(262,029)	798,150
Total Local Sources	990,000	985,000	719,067	(265,933)	802,445
State sources - Grants	5,000	5,831	5,831	-	5,434
Federal sources - Grants	780,000	780,000	953,262	173,262	809,817
Total Revenues	1,775,000	1,770,831	1,678,160	(92,671)	1,617,696
EXPENDITURES					
Salaries	666,104	694,689	624,055	70,634	613,889
Benefits	231,569	259,328	219,472	39,856	242,393
Purchased services	9,300	9,300	5,949	3,351	8,481
Supplies	932,000	950,000	747,552	202,448	731,554
Property	10,000	10,000	563	9,437	-
Total Food Service	1,848,973	1,923,317	1,597,591	325,726	1,596,317
Contingency	25,000	25,000	-	25,000	-
Total Expenditures	1,873,973	1,948,317	1,597,591	350,726	1,596,317
Revenues Over (Under) Expenditures	(98,973)	(177,486)	80,569	258,055	21,379
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	-	-	100,000
Net Change in Fund Balance	(98,973)	(177,486)	80,569	258,055	121,379
FUND BALANCE, July 1	395,227	529,296	529,296	-	415,248
Increase (decrease) in reserve for inventories	-	-	(5,950)	(5,950)	(7,331)
FUND BALANCE, June 30	\$ 296,254	\$ 351,810	\$ 603,915	\$ 252,105	\$ 529,296

DOUGLAS COUNTY SCHOOL DISTRICT

CLASS SIZE REDUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 22,000	\$ 5,000	\$ 1,071	\$ (3,929)	\$ 7,760
State sources:					
Special appropriations	2,036,884	2,023,834	2,023,834	-	2,201,458
Total Revenues	2,058,884	2,028,834	2,024,905	(3,929)	2,209,218
EXPENDITURES					
Regular programs:					
Salaries	1,705,209	1,661,757	1,656,637	5,120	1,666,667
Benefits	610,046	620,232	589,193	31,039	608,909
Total Expenditures	2,315,255	2,281,989	2,245,830	36,159	2,275,576
Revenues Over (Under) Expenditures	(256,371)	(253,155)	(220,925)	32,230	(66,358)
OTHER FINANCING SOURCES					
Transfers from other funds	171,077	160,000	160,000	-	-
Net Change in Fund Balance	(85,294)	(93,155)	(60,925)	32,230	(66,358)
FUND BALANCE, July 1	85,294	99,212	99,212	-	165,570
FUND BALANCE, June 30	\$ -	\$ 6,057	\$ 38,287	\$ 32,230	\$ 99,212

DOUGLAS COUNTY SCHOOL DISTRICT

BUILDING AND SITES FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2010
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 10,000	\$ 180	\$ 88	\$ (92)	\$ 2,001
Other	1,000	5,000	23,442	18,442	7,419
Total Revenues	11,000	5,180	23,530	18,350	9,420
EXPENDITURES					
Building improvement:					
Purchased services	-	-	-	-	370,152
Property	-	-	-	-	24,300
Total Expenditures	-	-	-	-	394,452
Net Change in Fund Balance	11,000	5,180	23,530	18,350	(385,032)
FUND BALANCE, July 1	27,112	31,080	31,080	-	416,112
FUND BALANCE, June 30	\$ 38,112	\$ 36,260	\$ 54,610	\$ 18,350	\$ 31,080

DOUGLAS COUNTY SCHOOL DISTRICT

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Ad valorem taxes	\$ 2,719,792	\$ 2,719,792	\$ 2,715,951	\$ (3,841)	\$ 2,614,081
Earnings on investments	140,000	50,000	5,586	(44,414)	54,994
Other	2,000	2,000	51	(1,949)	687
Total Revenues	<u>2,861,792</u>	<u>2,771,792</u>	<u>2,721,588</u>	<u>(50,204)</u>	<u>2,669,762</u>
EXPENDITURES					
Debt service:					
Principal	860,000	860,000	860,000	-	3,665,000
Interest	235,548	209,911	209,911	-	205,448
Coupon redemption	5,000	5,000	-	5,000	-
Fiscal agent charges	-	-	1,250	(1,250)	125
Total Expenditures	<u>1,100,548</u>	<u>1,074,911</u>	<u>1,071,161</u>	<u>3,750</u>	<u>3,870,573</u>
Revenues Over (Under) Expenditures	<u>1,761,244</u>	<u>1,696,881</u>	<u>1,650,427</u>	<u>(46,454)</u>	<u>(1,200,811)</u>
OTHER FINANCING (USES)					
Transfer to other funds	-	(200,000)	(200,000)	-	-
Net Change in Fund Balance	1,761,244	1,496,881	1,450,427	(46,454)	(1,200,811)
FUND BALANCE, July 1	<u>574,251</u>	<u>456,188</u>	<u>456,188</u>	<u>-</u>	<u>1,656,999</u>
FUND BALANCE, June 30	<u>\$ 2,335,495</u>	<u>\$ 1,953,069</u>	<u>\$ 1,906,615</u>	<u>\$ (46,454)</u>	<u>\$ 456,188</u>

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
 COMBINING STATEMENT OF NET ASSETS
 JUNE 30, 2010
 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	SELF- INSURANCE HEALTH FUND	WORKERS' COMP SELF INSURANCE FUND	TOTALS GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2010	2009
ASSETS				
Current:				
Cash and investments	\$ 5,640,970	\$ 1,514,848	\$ 7,155,818	\$ 6,271,486
Receivables:				
Interest	1,065	-	1,065	-
Other	-	16,856	16,856	134,428
Premiums	588,570	-	588,570	668,425
Total Assets	6,230,605	1,531,704	7,762,309	7,074,339
 LIABILITIES				
Current:				
Accounts payable and accrued expenses	59,012	21,082	80,094	76,201
Deferred revenue	588,570	-	588,570	666,945
Pending claims	848,610	596,000	1,444,610	1,420,415
Total Liabilities	1,496,192	617,082	2,113,274	2,163,561
 NET ASSETS				
Restricted	\$ 4,734,413	\$ 914,622	\$ 5,649,035	\$ 4,910,778

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
COMBINING STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	SELF - INSURANCE HEALTH FUND	WORKERS' COMP SELF INSURANCE FUND	TOTALS GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2010	2009
OPERATING REVENUES				
Insurance premiums	\$ 6,353,244	\$ 184,488	\$ 6,537,732	\$ 7,434,219
Insurance proceeds and other	521,992	16,200	538,192	513,028
Total Operating Revenues	<u>6,875,236</u>	<u>200,688</u>	<u>7,075,924</u>	<u>7,947,247</u>
OPERATING EXPENSES				
Claims expense	5,425,315	124,206	5,549,521	6,009,965
Purchased services	737,115	66,287	803,402	889,667
Total Operating Expenses	<u>6,162,430</u>	<u>190,493</u>	<u>6,352,923</u>	<u>6,899,632</u>
Operating Income	712,806	10,195	723,001	1,047,615
NONOPERATING REVENUES				
Earnings on investments	11,686	3,570	15,256	77,382
Change in Net Assets	724,492	13,765	738,257	1,124,997
NET ASSETS, July 1	<u>4,009,921</u>	<u>900,857</u>	<u>4,910,778</u>	<u>3,785,781</u>
NET ASSETS, June 30	<u>\$ 4,734,413</u>	<u>\$ 914,622</u>	<u>\$ 5,649,035</u>	<u>\$ 4,910,778</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	SELF - INSURANCE HEALTH FUND	WORKERS' COMP SELF INSURANCE FUND	TOTALS GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2010	2009
CASH FROM OPERATING ACTIVITIES				
Cash received from insurance premiums	\$ 6,354,724	\$ 184,488	\$ 6,539,212	\$ 7,686,828
Cash received from insurance and other	637,234	17,466	654,700	554,901
Cash paid for claims	(5,363,120)	(162,206)	(5,525,326)	(5,949,185)
Cash paid for services and supplies	(678,103)	(121,406)	(799,509)	(895,815)
Net cash provided (used) by operating activities	950,735	(81,658)	869,077	1,396,729
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	11,686	3,570	15,256	77,382
NET INCREASE (DECREASE) IN CASH	962,421	(78,088)	884,333	1,474,111
CASH AND INVESTMENTS, July 1	4,678,549	1,592,937	6,271,486	4,797,375
CASH AND INVESTMENTS, June 30	\$ 5,640,970	\$ 1,514,849	\$ 7,155,819	\$ 6,271,486
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS				
Operating income (loss)	\$ 712,806	\$ 10,195	\$ 723,001	\$ 1,047,615
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Change in assets and liabilities:				
Receivables	115,242	1,266	116,508	41,873
Due from other funds	79,855	-	79,855	285,176
Accounts payable and accrued expenses	59,012	(55,119)	3,893	(6,148)
Pending claims	62,195	(38,000)	24,195	(32,567)
Deferred revenue	(78,375)	-	(78,375)	60,780
Total Adjustments	237,929	(91,853)	146,076	349,114
Net cash provided (used) by operating activities	\$ 950,735	\$ (81,658)	\$ 869,077	\$ 1,396,729

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SELF-INSURANCE HEALTH FUND
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ 6,683,050	\$ 5,720,000	\$ 6,353,244	\$ 633,244	\$ 7,247,512
Insurance proceeds	350,000	-	521,992	521,992	461,169
Other	-	-	-	-	9,598
Total Operating Revenues	7,033,050	5,720,000	6,875,236	1,155,236	7,718,279
OPERATING EXPENSES					
Claims expense	6,900,000	6,300,000	5,425,315	874,685	5,622,486
Purchased services	900,000	936,500	737,115	199,385	852,930
Supplies	10,000	-	-	-	-
Total Operating Expenses	7,810,000	7,236,500	6,162,430	1,074,070	6,475,416
Operating Income (Loss)	(776,950)	(1,516,500)	712,806	2,229,306	1,242,863
NONOPERATING REVENUES					
Earnings on investments	90,000	50,000	11,686	(38,314)	54,864
Change in Net Assets	(686,950)	(1,466,500)	724,492	2,190,992	1,297,727
NET ASSETS, July 1	3,327,644	4,009,921	4,009,921	-	2,712,194
NET ASSETS, June 30	\$ 2,640,694	\$ 2,543,421	\$ 4,734,413	\$ 2,190,992	\$ 4,009,921

DOUGLAS COUNTY SCHOOL DISTRICT

SELF-INSURANCE HEALTH FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$ 6,683,050	\$ 5,720,000	\$ 6,494,229	\$ 774,229	\$ 7,500,121
Cash received from insurance and other	350,000	-	638,299	638,299	508,067
Cash paid for claims	(6,900,000)	(6,300,000)	(5,503,690)	796,310	(5,694,706)
Cash paid for services and supplies	(910,000)	(936,500)	(678,103)	258,397	(853,293)
Net cash provided (used) by operating activities	(776,950)	(1,516,500)	950,735	2,467,235	1,460,189
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	90,000	50,000	11,686	(38,314)	54,864
NET INCREASE (DECREASE) IN CASH	(686,950)	(1,466,500)	962,421	2,428,921	1,515,053
CASH AND INVESTMENTS, July 1	<u>3,778,946</u>	<u>5,364,933</u>	<u>4,678,549</u>	<u>(686,384)</u>	<u>3,163,496</u>
CASH AND INVESTMENTS, June 30	<u>\$ 3,091,996</u>	<u>\$ 3,898,433</u>	<u>\$ 5,640,970</u>	<u>\$ 1,742,537</u>	<u>\$ 4,678,549</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS					
Operating income (loss)	\$ (776,950)	\$ (1,516,500)	\$ 712,806	\$ 2,229,306	\$ 1,242,863
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:					
Change in assets and liabilities:					
Receivables	-	-	116,307	116,307	37,300
Due from insurance	-	-	78,790	78,790	285,176
Accounts payable and accrued expenses	-	-	59,012	59,012	(363)
Pending claims	-	-	62,195	62,195	(72,220)
Deferred revenues	-	-	(78,375)	(78,375)	(32,567)
Total Adjustments	-	-	237,929	237,929	217,326
Net cash provided (used) by operations	<u>\$ (776,950)</u>	<u>\$ (1,516,500)</u>	<u>\$ 950,735</u>	<u>\$ 2,467,235</u>	<u>\$ 1,460,189</u>

DOUGLAS COUNTY SCHOOL DISTRICT

WORKERS' COMPENSATION SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ -	\$ 175,000	\$ 184,488	\$ 9,488	\$ 186,707
Other	20,000	20,000	16,200	(3,800)	42,261
Total Operating Revenues	20,000	195,000	200,688	5,688	228,968
OPERATING EXPENSES					
Claims expense	200,000	280,000	124,206	155,794	387,479
Purchased services	75,000	75,000	66,287	8,713	36,737
Total Operating Expenses	275,000	355,000	190,493	164,507	424,216
Operating Income (Loss)	(255,000)	(160,000)	10,195	170,195	(195,248)
NONOPERATING REVENUES					
Earnings on investments	50,000	20,000	3,570	(16,430)	22,518
Change in Net Assets	(205,000)	(140,000)	13,765	153,765	(172,730)
NET ASSETS, July 1	1,043,587	900,857	900,857	-	1,073,587
NET ASSETS, June 30	\$ 838,587	\$ 760,857	\$ 914,622	\$ 153,765	\$ 900,857

DOUGLAS COUNTY SCHOOL DISTRICT

WORKERS' COMPENSATION SELF-INSURANCE FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010 BUDGET		2010		2009
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$ -	\$ 175,000	\$ 184,488	\$ 9,488	\$ 186,707
Cash received from other operating sources	20,000	20,000	17,466	(2,534)	46,834
Cash paid for claims	(200,000)	(280,000)	(162,206)	117,794	(254,479)
Cash paid for services and supplies	(75,000)	(75,000)	(121,407)	(46,407)	(42,522)
Net cash provided (used) by operating activities	(255,000)	(160,000)	(81,659)	78,341	(63,460)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	50,000	20,000	3,570	(16,430)	22,518
NET INCREASE (DECREASE) IN CASH	(205,000)	(140,000)	(78,089)	61,911	(40,942)
CASH AND INVESTMENTS, July 1	<u>1,603,879</u>	<u>1,610,215</u>	<u>1,592,937</u>	<u>(17,278)</u>	<u>1,633,879</u>
CASH AND INVESTMENTS, June 30	<u>\$ 1,398,879</u>	<u>\$ 1,470,215</u>	<u>\$ 1,514,848</u>	<u>\$ 44,633</u>	<u>\$ 1,592,937</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS					
Operating income (loss)	\$ (255,000)	\$ (160,000)	\$ 10,195	\$ 170,195	\$ (195,248)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:					
Change in assets and liabilities:					
Accounts receivable	-	-	1,266	1,266	4,573
Accounts payable	-	-	(55,120)	(55,120)	(5,785)
Pending claims	-	-	(38,000)	(38,000)	133,000
Total Adjustments	-	-	(91,854)	(91,854)	131,788
Net cash provided (used) by operations	<u>\$ (255,000)</u>	<u>\$ (160,000)</u>	<u>\$ (81,659)</u>	<u>\$ 78,341</u>	<u>\$ (63,460)</u>

DOUGLAS COUNTY SCHOOL DISTRICT

STUDENT ACTIVITY AGENCY FUNDS SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - BY SCHOOL YEAR ENDED JUNE 30, 2010

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>RECEIPTS</u>	<u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
Student Activity Funds				
Douglas High School	\$ 294,270	\$ 825,781	\$ 863,199	\$ 256,852
George Whittell High School	86,081	175,364	202,217	59,228
Carson Valley Middle School	74,427	99,958	95,739	78,646
Pau-Wa-Lu Middle School	27,909	128,899	122,263	34,545
Scarcelli Elementary School	58,955	85,557	88,708	55,804
Gardnerville Elementary School	23,637	56,116	54,057	25,696
C.C. Meneley Elementary School	23,248	108,348	106,573	25,023
Jacks Valley Elementary School	24,731	71,258	70,958	25,031
Minden Elementary School	45,385	87,262	79,659	52,988
Pinion Hills Elementary School	62,326	211,018	219,206	54,138
Zephyr Cove Elementary School	3,028	22,529	23,301	2,256
	<u>\$ 723,997</u>	<u>\$ 1,872,090</u>	<u>\$ 1,925,880</u>	<u>\$ 670,207</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Douglas County School District
Minden, Nevada

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County School District, Minden, Nevada (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 24, 2010.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schettler, Macy & Silva, LLC

Reno, Nevada
November 24, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Douglas County School District
Minden, Nevada

Compliance

We have audited Douglas County School District's, Minden, Nevada (the District) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schettler, Macy & Silva, LLC

Reno, Nevada
November 24, 2010

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

(Page 1 of 2)

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AMOUNT
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through the State of Nevada Department of Education</i>			
Individuals with Disabilities Education Act - Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	10-639-03	\$ 840,699
Special Education - District Improvement Grant	84.027	10-641-03	165,811
Special Education - District Assistance Center	84.027	10-667-03	96,453
Special Education - Preschool Grants (IDEA, Preschool)	84.173	10-665-03	57,222
Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	10-620-03	477,287
Special Education - Preschool Grants (IDEA, Preschool), Recovery Act	84.392	10-621-03	11,183
Total Special Education Cluster			<u>1,648,655</u>
Title I, Part A Cluster			
Title I, Part A - Grants to Local Educational Agencies	84.010	10-633-03	510,769
Title I, Part A - Grants to Local Educational Agencies, Recovery Act	84.389	10-622-03	121,642
Total Title I, Part A Cluster			<u>632,411</u>
Title I, Part D - Improving America's Youth	84.013A	10-630-03	48,079
Title I, Part D - Delinquent, Recovery Act	84.389	10-619-03	16,887
Carl D. Perkins Basic Grant	84.048	10-631-03	50,410
Carl D. Perkins Correctional Grant	84.048	10-635-03	39,140
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186A	10-720-03	13,705
Title II, Part D - Education Technology State Grants	84.318	10-766-03	5,160
Title III, English Language Acquisition	84.365A	10-658-03	32,829
Title II, Part A - Improving Teacher Quality State Grants	84.367	10-709-03	218,699
Education for Homeless Children and Youth, Recovery Act	84.387	10-689-03	273
School Programs to Prevent Spreading HIV and Other Health Problems	93.938	10-791-03	1,947
Total U.S. Department of Education			<u>2,708,195</u>
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through the Nevada Division of Environmental Protection</i>			
State Clean Diesel Program, Recovery Act	66.040	N/A	<u>98,455</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

(Page 2 of 2)

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AMOUNT
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
<i>Passed through the State of Nevada Department of Administration</i>			
National School Lunch Program - Commodities	10.555	N/A	\$ 97,380
<i>Passed through the State of Nevada Department of Education</i>			
School Breakfast Program	10.553	N/A	153,298
National School Lunch Program	10.555	N/A	<u>702,584</u>
Total Child Nutrition Cluster			<u>953,262</u>
<i>Passed through Douglas County</i>			
Schools and Roads - Grants to Counties	10.666	N/A	<u>14,628</u>
Total U.S. Department of Agriculture			<u>967,890</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,774,540</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2010

NOTE 1 – REPORTING ENTITY

The accompanying *Schedule of Expenditures of Federal Awards* presents the expenditure activity of all federal award programs of the Douglas County School District (the District) for the year ended June 30, 2010. The District's reporting entity is defined in Note 1 to its basic financial statements. All expenditures of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the *Schedule of Expenditures of Federal Awards*.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying *Schedule of Expenditures of Federal Awards* is prepared on the modified accrual basis of accounting. The amounts shown as expenditures of CFDA #10.555 – National School Lunch Program Commodities represents the fair value of commodity food received by the District for the year ended June 30, 2010.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over Financial Reporting	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over Major Programs	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:	Yes

Major Programs

The major programs for the year ended June 30, 2010 are as follows:

 Special Education Cluster (84.027, 84.173, 84.391, and 84.392)
 Title I, Part A Cluster (84.010 and 84.389)

The threshold for distinguishing Types A and B programs was \$300,000.

Douglas County School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

None.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2010-1

US Department of Education

Special Education Cluster – IDEA Part B (84.027, 84.173, 84.391 and 84.392)

Criteria

Office of Management and Budget Circular A-87 – *Cost Principles for State, Local and Indian Tribal Governments* establishes guidelines for record keeping of employee time and effort charged to Federal programs. Circular A-87 requires employees who are entirely funded by federal awards to prepare semi-annual time and effort certifications, signed by the employee or a supervisor having first-hand knowledge of the work performed. Additionally, salary expenditures for employees who are partially funded by federal awards should be supported by monthly personnel activity reports or equivalent documentation, signed and dated by the employee.

Condition

Effective July 1, 2009, Douglas County School District implemented a district-wide policy to ensure compliance with these requirements. However, personnel responsible for preparing and collecting the time and effort reports for the employees whose salaries are funded by IDEA Part B funds did not do so for the second half of fiscal year 2010.

Effect

The District did not have proper support for salary expenditures of employees either fully or partially funded by IDEA Part B funds for the second half of fiscal year 2010.

Questioned Costs

None.

Recommendation

Monitoring is an essential component of effective internal control over compliance. The District should review its monitoring system to ensure that it includes procedures for monitoring all internal controls over compliance regularly throughout the year.

Management's Response

Management's response and corrective action plan is included herein on page 89.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2010

Finding 2010-2

US Department of Education

*Special Education Cluster – IDEA Part B (84.027, 84.173, 84.391 and 84.392)
Title I, Part A Cluster – (84.010 and 84.389)
and potentially applies to other federal programs*

Criteria

When federal awards are funded on the advance basis by the Nevada Department of Education, the District is required to minimize the time between the transfer of funds and the disbursement for program costs. The federal funds on hand should be maintained at a balance that meets their immediate cash needs only. Interest earnings by the District on cash balances of federal funds are required to be repaid. The requirements for cash management are contained in the A-102 Common Rule as codified in 34 CFR §80.21, and the terms and conditions of the federal awards.

Condition

The District received federal awards funded on the advance basis. The District maintained a sizeable cash balance in its Federal and State Grants Fund throughout the year, and reported deferred revenue, which included deferred federal revenue, in that fund at June 30, 2010. The District did not calculate or repay interest earned on advanced federal funds.

Effect

The conditions stated above indicate that the District was funded beyond its immediate cash needs.

Questioned Costs

There are no questioned costs in regard to expenditures of federal awards. In regard to the repayment of interest earned on federal funds received in advance, the amount of interest earned is currently undetermined, but is presumed to be minimal.

Recommendation

Reimbursement is the preferred method of drawing down federal funds. However, whether on the reimbursement or advance basis, the District should review its process for submitting draw requests from the Nevada Department of Education and make appropriate modifications to ensure that federal funds on hand are not in excess of their immediate cash needs.

Management's Response

Management's response and corrective action plan is included herein on page 89.

DOUGLAS COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS JUNE 30, 2010

Finding 2009-1

US Department of Education

Title I, Part A (84.010); Title II, Part A (84.367); and IDEA (84.027 and 84.173)

Criteria

Office of Management and Budget Circular A-87 – *Cost Principles for State, Local and Indian Tribal Governments* establishes guidelines for record keeping of employee time and effort charged to Federal programs. Circular A-87 requires employees who are entirely funded by federal awards to prepare semi-annual time and effort certifications, signed by the employee or a supervisor having first-hand knowledge of the work performed. Additionally, salary expenditures for employees who are partially funded by federal awards should be supported by monthly personnel activity reports or equivalent documentation, signed and dated by the employee.

Condition

During fiscal year 2009, Douglas County School District did not have a district-wide policy to ensure compliance with these requirements. District management is currently designing a district-wide policy for documenting employee time and effort and is expected to be implementing this process during fiscal year 2010.

Effect

The District did not have proper support for salary expenditures of employees either fully or partially funded by federal awards for fiscal year 2009.

Questioned Costs

None.

Recommendation

The District should design and implement a district-wide policy to ensure compliance with OMB Circular A-87 time and effort documentation requirements for employees fully or partially funded by federal awards.

Current Status

Management has implemented an internal control system to comply with time and effort reporting requirements; however, that system was not functioning effectively throughout all of fiscal year 2010, and components of this finding were repeated in the current year as Finding 2010-1.



Douglas County School District

1638 Mono Avenue • Minden, Nevada 89423

Information

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Administration

Superintendent
Lisa Noonan, Ed.D.
Superintendent
(775) 782-5135

Education Services
Lyn Gorrindo
Assistant Superintendent
(775) 782-7179

Business Services
Holly Luna, Chief
Financial Officer
(775) 782-5131

Human Resources
Rich Alexander
Assistant Superintendent
(775) 782-7177

Board of Trustees

President
Teri Jamin

Vice President
Thomas Moore

Clerk
Keith Roman

Members
Karen Chessell
Sharla Hales
Randy Green
Cynthia Trigg

November 24, 2010

U.S. Department of Education

The Douglas County School District, Minden, Nevada respectfully submits the following corrective action plan for the year ended June 30, 2010.

Our independent auditors for the fiscal year ended June 30, 2010:

David E. Silva
Schettler, Macy & Silva, LLC
10345 Professional Circle, Suite 110
Reno, NV 89521
Phone: 775/624-9108 Fax: 877/278-2597 E-mail: ds@smscpas.net

Finding 2010-1 is discussed in the schedule of findings and questioned costs attached herein. Effective immediately, the District has implemented monitoring procedures to further ensure compliance with the time and effort report compliance requirements.

Finding 2010-2 is also discussed in the schedule of findings and questioned costs attached herein. The District is in the process of implementing modifications to its process for requesting federal funds to assure that federal cash on hand does not exceed the amount necessary to fund immediate needs of the programs. In addition, the District will prepare an analysis of interest earned which may potentially be required to be remitted to the U.S. Department of Education. We anticipate that this will be completed prior to December 31, 2010.

If there are any questions regarding this plan, please feel free to contact me.

Sincerely,

Holly Luna
CFO, Business Services



INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees
Douglas County School District
Minden, Nevada

We have reviewed management's assertion made in accordance with Nevada Revised Statute 354.624(5)(a) with respect to the funds of the Douglas County School District as of and for the year ended June 30, 2010 that:

- The identified funds are being using expressly for the purposes for which they were created.
- The funds are administered in accordance with accounting principles generally accepted in the United States of America.
- The reserved fund balances/net assets in the funds were reasonable and necessary (in accordance with criteria established by the State of Nevada Legislative Counsel Bureau) to carry out the purposes of the funds.
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements.
- The funds conform to significant statutory and regulatory constraints on its financial administration during the year.
- The fund balances/net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of the Douglas County School District.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that management's assertion referred to above is not fairly stated, in all material respects.

Schettler, Macy & Silva, LLC

Reno, Nevada
November 24, 2010

DOUGLAS COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITORS' COMMENTS JUNE 30, 2010

CURRENT YEAR STATUTE COMPLIANCE

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE VIOLATIONS

An overexpenditure, which was an apparent statute violation, was reported for the year ended June 30, 2009. As noted in Note 2 to the financial statements, we did not note any overexpenditures for the year ended June 30, 2010.

CURRENT YEAR AUDIT RECOMMENDATIONS

We did not find any financial weaknesses of magnitude to justify inclusion within our audit report.

STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS

There were no prior year recommendations related to financial weaknesses of a magnitude to justify inclusion within the audit report.