

**DOUGLAS COUNTY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

Fiscal Year Ended

June 30, 2016

DOUGLAS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2016

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements	
Statement of Net Position (Deficit)	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet – Governmental Funds	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	27
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	28
<i>Major Special Revenue Fund:</i>	
Special Education Fund	34
Statement of Net Position – Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	37
Statement of Cash Flows – Proprietary Funds	38
Statement of Agency Assets and Liabilities	39
Notes to the Financial Statements	40
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Funding Progress - Other Postemployment Benefits	69
Schedule of District's Proportionate Share of Net Pension Liability	70
Schedule of District's Contributions to Nevada PERS	71

Continued on next page.

DOUGLAS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Major Governmental Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances –

Budget and Actual:

Debt Service Fund	72
Capital Projects Fund	73
Bond Fund	74

Nonmajor Governmental Funds

Combining Balance Sheet 76

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances 77

Schedules of Revenues, Expenditures, and Changes in Fund Balances –

Budget and Actual:

Federal and State Grants Fund	79
Food Service Fund	83
Class Size Reduction Fund	84
Building and Sites Fund	85

Proprietary Funds – Internal Service Funds

Combining Statement of Net Position 86

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 87

Combining Statement of Cash Flows 88

Self Insurance Health Fund

Schedule of Revenues, Expenses, and Changes in Fund Net Position –

Budget and Actual 89

Schedule of Cash Flows – Budget and Actual 90

Workers' Compensation Self-Insurance Fund

Schedule of Revenues, Expenses, and Changes in Fund Net Position –

Budget and Actual 91

Schedule of Cash Flows – Budget and Actual 92

Agency Fund

Student Activity Agency Funds

Schedule of Cash Receipts and Disbursements – By School 93

Continued on next page.

DOUGLAS COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2016

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	96
Schedule of Expenditures of Federal Awards	98
Notes to the Schedule of Expenditures of Federal Awards	100
Schedule of Findings and Questioned Costs	101
Independent Auditors' Comments	102



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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 Douglas County School District as of June 30, 2016, and the respective changes in its financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Schedule of Funding Progress related to the District's other postemployment benefits; and the schedules related to pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Prior-Year Comparative Information

The financial statements of the Douglas County School District as of and for the year ended June 30, 2015, were audited by Silva & Co., LLC, who joined with Jeff J. Rife & Associates on August 1, 2016 to form Rife Silva & Co, LLC, and whose report dated November 20, 2015, expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

The nonmajor combining and individual fund financial statements and schedules related to the 2015 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The individual fund financial statements and schedules are consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Rife Silva & Co, LLC".

Reno, Nevada
October 25, 2016

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

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, 2016. We encourage readers to read the information presented here in conjunction with the District's financial statements, which follow this narrative.

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) District-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 district-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 **District-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 District-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.

District-wide Financial Statements

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

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

The *Statement of Activities* presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 (e.g. uncollected taxes and earned but unused vacation leave).

In many government entities, the District-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 District-wide financial statements are on pages 20 through 22 of this report.

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 District-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 Position 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 determination of a major fund is primarily dependent on criteria established by the Governmental Accounting Standards Board (GASB). Each fund is assessed on an annual basis and its classification as major or nonmajor can change. The District has nine individual governmental funds. For the year ended June 30, 2016, the following are considered major funds:

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

- General Fund
- Special Education Fund
- Debt Service Fund
- Capital Projects Fund
- Bond Fund

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 District-wide financial statements.

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 District-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 district-wide and fund financial statements. The notes to the financial statements are on pages 40 – 68 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

As required by the Governmental Accounting Standards Board (GASB), the District implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. These standards require participants in a multi-employer cost sharing plan to:

- Record a proportionate share of the net pension liability on our statement of net position.
- Record a proportionate share of pension expense (as defined by the new GASB statements) on our statement of activities.
- Report additional note disclosures and required supplementary information.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

These standards required the inclusion of the District's proportionate share of the *net pension liability* of the Nevada Public Employees' Retirement Plan within the District's financial statements effective July 1, 2014, resulting in a \$68.3 million decrease to the July 1, 2014 beginning net position and the inclusion of the obligation, and related deferred inflows and outflows, beginning with the June 30, 2015 District-wide financial statements. All governments participating in the retirement plan were required to adopt these new standards.

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The largest component of the District's net position 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.

The table below presents a comparison of the District's net position (deficit) as of June 30, 2016 compared to the prior year.

DISTRICT'S NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Change</u>	
	<i>(In Millions)</i>			
Assets				
Current and other assets	\$ 29.1	\$ 35.6	\$ (6.5)	-18.3%
Net capital assets	<u>79.9</u>	<u>79.6</u>	<u>0.3</u>	0.4%
Total Assets	<u>109.0</u>	<u>115.2</u>	<u>(6.2)</u>	-5.4%
Deferred Outflows of Resources	<u>12.3</u>	<u>8.4</u>	<u>3.9</u>	46.4%
Liabilities				
Current liabilities	10.4	13.4	(3.0)	-22.4%
Long-term liabilities	<u>122.3</u>	<u>113.5</u>	<u>8.8</u>	7.8%
Total Liabilities	<u>132.7</u>	<u>126.9</u>	<u>5.8</u>	4.6%
Deferred Inflows of Resources	<u>9.6</u>	<u>15.8</u>	<u>(6.2)</u>	-39.2%
Net Position (Deficit)				
Net Investment in Capital Assets	38.0	41.0	(3.0)	-7.3%
Restricted	13.5	13.7	(0.2)	-1.5%
Unrestricted	<u>(72.5)</u>	<u>(73.7)</u>	<u>1.2</u>	-1.6%
Total Net Position (Deficit)	<u>\$ (21.0)</u>	<u>\$ (19.0)</u>	<u>\$ (2.0)</u>	-10.5%

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

In order to further understand what makes up the changes in net position for the current year, the following table provides details of the District's activities for the current year and the immediately preceding year:

DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities	
	2016	2015
	<i>(In Millions)</i>	
Revenues		
Program revenues:		
Charges for services	\$ 0.9	\$ 0.9
Operating grants and contributions	8.8	8.8
Capital grants and contributions	0.3	0.3
General revenues:		
Property taxes	21.7	21.2
Local school support taxes	14.6	14.2
Government service taxes	4.0	3.7
State aid, unrestricted	16.8	17.3
Other revenues	0.8	0.6
Total Revenues	<u>67.9</u>	<u>67.0</u>
Expenses		
Instruction	41.5	38.8
Support services	22.1	22.9
Food service	1.7	1.7
Facilities acq/constr/imprvmt	2.8	5.0
Interest on long-term debt	1.8	1.7
Total Expenses	<u>69.9</u>	<u>70.1</u>
Change in Net Position (Deficit)	(2.0)	(3.1)
Net Position (Deficit) - Beginning of Year	<u>(19.0)</u>	<u>(15.9)</u>
Net Position (Deficit) - End of Year	<u>\$ (21.0)</u>	<u>\$ (19.0)</u>

Governmental Activities:

- ◇ The largest and main revenue sources for the District are Local School Support Taxes (LSST), property taxes (ad valorem), and state aid. Together, these revenue sources comprise 78% of total revenues and are reported as General Revenues on the Statement of Activities on pages 21 – 22 of this report.
- ◇ Ad valorem taxes increased 2.1% from the prior year due to an increase in tax collections and assessed valuations.
- ◇ LSST increased 2.7% from the prior year due to another year of increased taxable sales.
- ◇ State aid not restricted to specific purposes decreased 4.3% from the prior year primarily as a result of the equalization and impact of the DSA formula. When local revenues such as ad valorem and LSST increase as noted above, the State aid is reduced.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

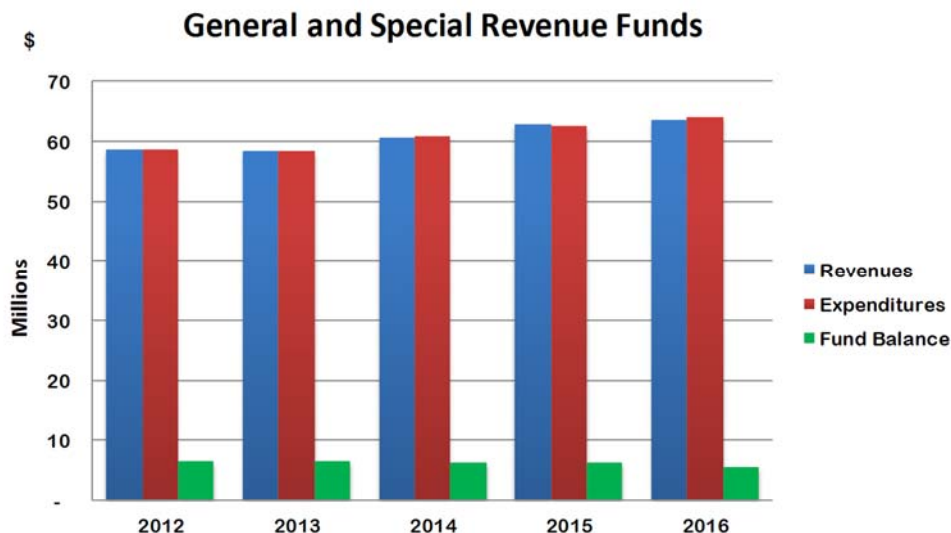
Douglas County School District uses fund accounting and budgetary integration to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned 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, 2016, the District's governmental funds reported a combined fund balance of \$16.3 million, a decrease of \$3.0 million from 2015, which is primarily (\$2.7 million) attributable to the planned spending from the District's Bond Issues Fund in accordance with the Capital Improvement Plan. Of the total fund balance of \$16.3 million, approximately \$13.5 million is nonspendable, restricted or assigned fund balance. The remaining \$2.8 million, or 17%, constitutes unassigned 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 23 and 57-58 of these statements.

General and Special Revenue Funds

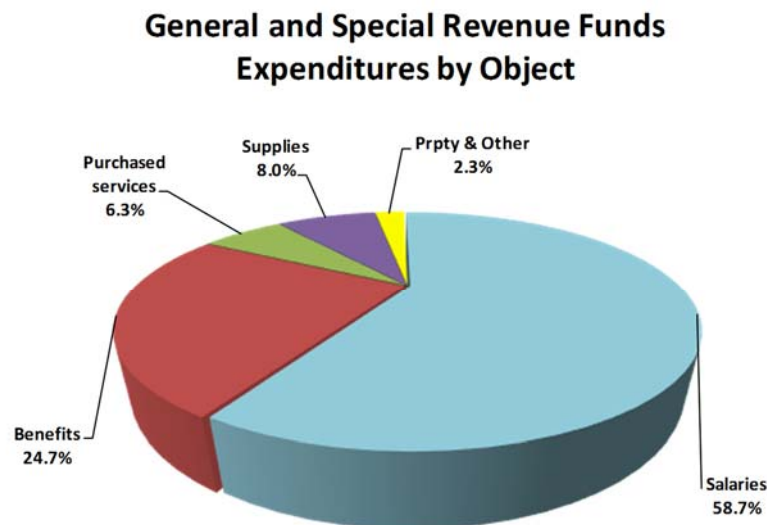
The General Fund and the special revenue funds [Special Education; CSR; Federal / State/ Local Grants; and Food Service funds] are often referred to as the District's "operating funds." The following chart compares the revenues to expenditures and fund balance for these funds for the last five years:



DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

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, 2016 fund balance of the Debt Service Fund is \$3.6 million, which together with the 2016-17 budgeted revenues of \$3.0 million exceeds the 2016-17 anticipated debt service requirements of \$3.5 million (before the anticipated interest subsidy from the Build America bonds of \$368 thousand) on the District's general obligation and installment note 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 had a combined ending fund balance at June 30, 2016 of \$7.1 million, which is restricted by NRS 387.328 to be used for major capital acquisitions and improvements.

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, 2016, these funds had a combined net position of \$4.2 million, which represents approximately 58% of the funds' 2016-17 budgeted expenses.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets as of June 30, 2016 and 2015 are as follows. See also page 53.

Capital Assets (Net of Depreciation)

	<u>2016</u>	<u>2015</u>
	<i>(In Millions)</i>	
Land	\$ 1.4	\$ 1.4
Construction in progress	0.3	18.8
Buildings and improvements	75.4	57.0
Equipment and vehicles	<u>2.8</u>	<u>2.4</u>
	<u>\$ 79.9</u>	<u>\$ 79.6</u>

Debt Administration

The District's debt general obligation debt was comprised of the following as of June 30, 2016 and 2015:

Outstanding GO Bonds / Installment Note

	<u>2016</u>	<u>2015</u>
	<i>(In Millions)</i>	
GO bonds, net of premiums and discounts	\$ 40.1	\$ 41.2
Installment note	<u>3.6</u>	<u>4.0</u>
	<u>\$ 43.7</u>	<u>\$ 45.2</u>

The last bond rating was completed January 2015. The District maintained an AA- rating with a stable outlook from Standard and Poor's (S&P). Principal and interest payments on the General Obligation Bonds and the note payable for the 2016-17 fiscal year are scheduled to total \$3.5 million, less the expected interest subsidy of \$368 thousand on the Build America bonds for a net cash outlay requirement of \$3.1 million. Additional detail on the District's debt can be found on pages 55 – 56 of the financial statements.

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 District's most current assessed value, the District's statutory general obligation debt limit is \$420 million.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

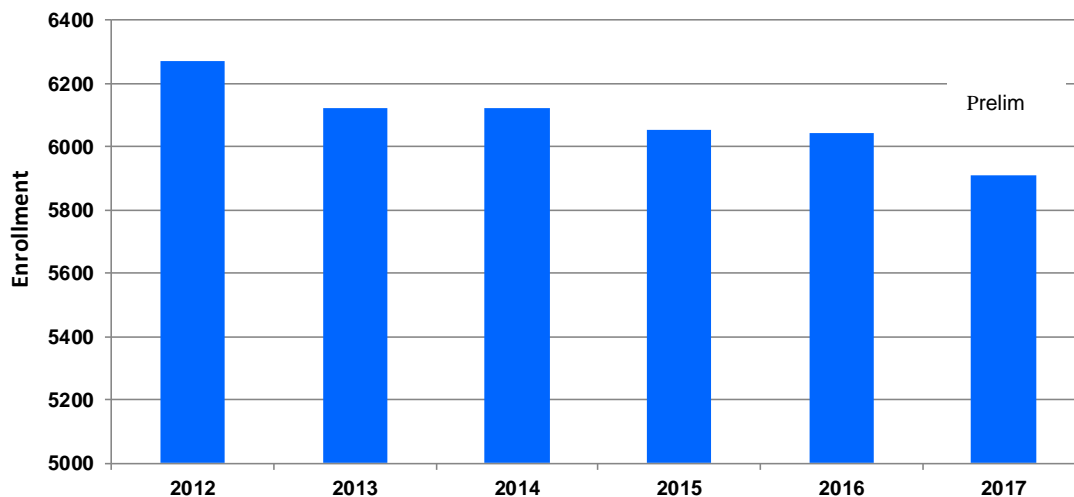
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment and Funding

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. Further discussion regarding 2015 Legislative changes on enrollment calculations is provided later on in this section. Throughout the year, the District also amends their budget for other known adjustments, such as opening fund balance amounts based on prior year audited numbers and approved grant funds.

Provided below is a chart which depicts a trend of declining student enrollment. The District's unaudited enrollment for the current 2016-17 school year declined 2.2% from the prior year moving from 6,043 students to 5,910, and has declined 5.8%, or 365 students from 2011-12.

District Enrollment



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 ad valorem or LSST collections. For the 2015-16 school year, the District (as did all Nevada's school districts) received full funding in accordance with the 2015 biennial state budget.

A large percentage of revenues received by the District is 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. The formula weights pre-kindergarten (pre-k) and kindergarten (k) students at 0.6, while first through twelfth grades are given a weight of 1.0, thus reducing the per pupil funding for pre-k and k grade levels. Due to the significance of the revenue and basis of funding, there are several concerns regarding the future of DSA funding for the District.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

The first concern is the already noted trend of declining weighted enrollment, and therefore a corresponding reduction of DSA revenues. The District saw significant enrollment growth, particularly in the Valley based school sites through school year 1999. However, since 1999, enrollment has fluctuated – some years increasing, but generally most years reflecting decreasing enrollment. In 2014-15, weighted enrollment marginally declined by 0.8%, or 47.5 students, from the previous year, and further declined in the 2015-16 school year by 0.2% or 12.6 students.

Additionally, although the current School Finance Plan (see “State Sources of Funding” below) was designed with intended stability in mind, SB500 from the 2013 Legislative Session resulted in a Task Force recommendation to change the financial support of school districts by implementing a funding formula that takes into account the needs of special populations such as pupils from low-income families, pupils with disabilities and/or limited proficiency in the English language.

As a result, the 2015 Legislative Session did bring about sweeping changes to the DSA formula. While some areas, such as enrollment, have been defined and were implemented for the 2015-16 fiscal year, others were in flux, such as Special Education Funding, and will be instated in the 2016-17 fiscal year.

As previously discussed, Nevada’s school districts are funded in large part based on student enrollment. The methodology for enrollment was changed in the 2015 Legislative Session. Whereas the marker for enrollment used to be taken at the end of the first school month, called “count day,” the State moved to an average daily enrollment, or ADE model. ADE is calculated by taking the total number of pupils enrolled during a reporting period divided by the number of days school is in session during that period. Days school is in session is defined as instruction days as they appear on the Nevada Department of Education approved school calendar.

Furthermore, the “hold harmless” provisions of the DSA formula were eliminated except in cases of 5% decline or greater from prior year enrollment. To protect districts during times of declining enrollment, State law had contained a “hold-harmless” provision which provided that the guaranteed level of funding was based on the higher of the current or the previous year’s enrollment (unless the decline in enrollment was more than 5%, in which case the funding was based on the higher of the current or the previous two year’s enrollment).

Additionally, the DSA formula will no longer be weighted as the State has continued to place more emphasis and provide more funding for Full-Day Kindergarten (FDK) programs. Although DSA monies were distributed using the weighted formula for 2015-16, starting in the new biennium 2017-18 the weighted factors will be removed, and each enrolled student will count as 1.0 fully funded unit, and as such, FDK funding will be eliminated.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

The finalization of allocation methodologies for Special Education funding has clearly harmed Douglas County School District. The Nevada Department of Education determined that the majority of the new dollars (\$29.5 million) for Special Education were to be distributed mainly to Clark County School District (\$24.0 million) along with numerous Charter Schools (\$5.2 million). Douglas was one of eleven school districts that did not receive any additional funds, and are held to the same level of funding as 2015-16.

Additionally, AB421 of the 2015 Legislature created the Spending and Government Efficiencies (SAGE) Commission that will submit periodic recommendations to the Governor of Nevada over the next eighteen months regarding identifying areas in which K-12 public education costs may be reduced, or identify areas of increased efficiencies with K-12 public education, or any means by which the public education of the State of Nevada may be improved. A final report will be submitted to the Governor and the Legislative Council Bureau for the 79th Session of the Nevada Legislature (2017). What is certain in this ever-changing landscape is that the DSA formula will continue to be reviewed with potential for extensive impact and changes to funding for this District. There is no assurance that such amendments will not result in reduced funding to the District.

Local Sources - The General Fund's local operating revenue sources are comprised largely of a county-wide seventy-five cent ad valorem (property tax) and the LSST (sales and use tax) equal to 2.60% of taxable sales. The LSST tax rate was increased from 2.25% to 2.60% starting in fiscal year 2010, and was maintained in the 2015 Legislative session. The General Fund received \$19.1 million from property tax and \$14.6 million from sales tax for the year ended June 30, 2016. The General Fund has budgeted \$19.3 million in property tax revenue and \$15.5 million in sales tax revenue for fiscal year 2017. Other local operating sources to the General Fund include governmental services taxes, tuition receipts, earnings on investments, and utility franchise fees.

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; (b) a portion of the annual excise tax of \$250 for each slot machine operated in the State; (c) sales tax currently at a rate of 2.60% on out-of-state sales that cannot be attributed to a particular county; (d) revenue from mineral leases on federal land; and (e) interest earned on the Permanent School Fund established by the State Constitution.

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.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

Additionally, the School Finance Plan provides a substantial guarantee of revenue support for the District's General Fund budget. Under the Plan, the District is generally protected from fluctuations in receipts of the 2.60 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. However, the State has experienced substantial budget shortfalls in several of the past budget years and was unable to fulfill the guarantee. Although the Legislature had reduced overall school funding in special and regular sessions during the Great Recession, funding appears to be on the rise if still substantially inadequate when compared to neighboring states. Of the remaining District General Fund revenue, approximately two-thirds is based on the remaining \$0.50 component of the total \$0.75 property tax levy and since 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.

Proprietary Funds:

The District operates two proprietary funds: one for Workers' Compensation and the other for Health Insurance. Both funds are "self-funded" meaning the District, not an outside entity, assumes the financial risk for funding the plans. In practicality, this means the District pays for each workers' compensation or health insurance out-of-pocket claim as they are incurred rather than paying a fixed premium to an insurance carrier. The District purchases "Stop Loss" insurance for both plans to help minimize its risk. "Stop Loss" insurance is a mechanism that limits the amount of money the District would have to pay on catastrophic claims exceeding predetermined levels.

Workers' Compensation Funding: The District's Workers' Compensation Fund has been funded by an overhead rate of \$0.5/ \$100 in salary earnings by both permanent and temporary employee for at least the last ten years. Due to several high claims in the last few years, the District raised the overhead rate to \$0.785.

GASB#10 and #30 do not address an actual funding requirement for the program, but do allow a range of funded amounts to be recognized for accounting purposes – specifically to allow recognition of a funding margin for unexpectedly adverse loss experience. Each year, an actuarial review is conducted of the District's plan to evaluate the funding taking into account historical and trend data as well as projected claims. Actuarial guidance, along with GASB #10 and #30, indicates that the fund should have sufficient reserves to accommodate claims costs with some margin for unexpected adverse loss experience. The District's long-term funding policy is to maintain the fund at the 85% confidence level. The most recent actuarial review indicated the funding between a 85-90% confidence level. As noted previously, the increased rate will need to be sustained until sufficient reserves have been rebuilt and maintained – potentially an additional one to two years.

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

Health Insurance Funding: For purposes of this discussion, health insurance includes medical, dental, optical, and life and AD&D insurances. Plan participants include employees, board members, retirees and spouses and/or dependents of any eligible member. Presently, the District pays 100% of the premium payment set at \$585 per month for each eligible employee.

The District's self-insurance fund is subject to negotiated contract language. Currently, all negotiated contracts provide for a monthly premium amount to be paid by the District for health insurance. Additionally, a committee made up of various bargaining group representatives meets monthly to review claims data and the financial health of the self-insurance fund. The Committee makes recommendations to the Board of Trustees pertaining to premium holidays, plan benefits, third party administrator, and stop-loss insurance, among other factors.

The past several years have shown a strong ending fund balance, along with changes to the plan to accommodate the Affordable Care Act (ACA). ACA has resulted in considerable changes to the plan benefits and additional financial burden in the form of 100% coverage of wellness benefits costs, transitional reinsurance fees, and disallowance of capping essential benefits.

Projections for calendar and plan year 2017 show an estimated 11% increase in claims costs should existing funding streams remaining unchanged; thus indicating that the ending fund balance of the fund may be substantially impacted and reduced.

Sustainability of the fund is paramount to the District. However, it will take considerable collaboration of the Committee in conjunction with Board support to weather the coming storm of change. Available alternatives are as follows: increase the monthly premium paid by the District, create a shared contribution plan that will require employee participation in premium costs, reduction of benefits, creating a multi-tiered plan, or any combination of the preceding options. These changes will need to be in place by calendar and plan year 2017 as the substantial reserves will be depleted in approximately two to three years at the current projected rate.

Capital and Bond Funding:

Capital Projects Funding - The Capital Projects 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 (approximately 71% of total GST revenues), and which portion flows to the Capital Projects Fund (approximately 29% 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, 2016

RCT revenue that helps to sustain the District's Capital Projects Fund comes from a privilege tax on residential building permits. RCT is currently imposed in Douglas County at \$1,600 per new residential unit, the maximum authorized by NRS 387.331. The Douglas County Commission and Department of Taxation have approved the levy of this tax through June 2019 at which time the District will need to resubmit a request for continuation of the levy.

Bond Funding - 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 have provided approximately \$45.6 million + [\$43.3 million in bonds and \$2.3 million in Pay-As-You-Go cash transfers from the debt service] in capital funding to improve, equip, acquire and construct school facilities without increasing the District's existing tax levy. Many of the projects have provided operational and energy efficiencies which will in turn benefit the District's General Fund in reduced operations and maintenance expenses.

The bond expenditures have been guided by the Facilities' Master Plan (FMP) which was approved by the Board of Trustees in April 2010 but has been revised through various board decisions over the last several years. The first Phase of the FMP was to consist 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 at the Gardnerville and Piñon Hills sites is completed. Due to the decision to change the Valley Schools configuration into first through fifth grades at the elementary sites, sixth through eighth grades at the two middle schools, and ultimately ninth grade into the high school, the capacity additions at the elementary sites are not needed in the near future. Additionally, the District has completed Phase 2B which included the modernization and capacity additions to Douglas High School to programmatically return the 9th grade to the Valley high school. Continuation of the FMP will be dependent on the ability to raise the necessary capital funding as the District's bonding capacity is currently maximized.

New and Proposed Capital Funding – Several new and proposed alternatives are available to the District for additional funding. Nevada Revised Statute 350.020(5) allows for the reserve level in the debt service fund to decrease from 100% to 50%, providing approximately \$1.3 million in one-time funds to be transferred to the Capital Projects Fund. Additionally, SB207 from the 2015 Legislative Session allowed the Board of Trustees to extend the authority of a "rollover" question for an additional 10 year period after current authorization expires in 2018. This option would provide approximately \$1 million over the course of the ten year extension in Pay-As-You-Go cash. Douglas County School District Board of Trustees unanimously approved both legislative options through a board resolution dated June 14, 2016. These options will be enacted in the 2016-17 fiscal year.

Finally, SB411 of the 2015 Legislative Session allowed the Board of Trustees to authorize a committee with very prescriptive participant requirements – all non-District participants – whose main purpose was to consider placing a question on the 2016 General Election Ballot to raise or levy a tax or group of taxes to fund school construction and repairs. This committee first determined that due to the recent grade-level

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

transitions and declining enrollment that there were no over-crowding issues in the county. They reviewed a comprehensive listing of unfunded projects – items currently not funded in the District's 5 Year Capital Improvement Plan – that totaled an estimated \$48 - \$76 million. The range of costs of unfunded projects reflected estimates based on volatility of materials, local, state and national markets and economics, complexity of work, hazardous abatement, major repairs and reconstruction versus new, et cetera. The Committee narrowed the focus to projects related to the health and safety of students and staff which resulted in a project list of approximately \$7.7 - \$12.3 million. The Committee then reviewed all of the tax levying options, and focused on the least volatile, simplistic, and shared alternative – sales tax. Given that Douglas County is a tax-adverse county, the Committee thought it wise to ensure a sunset of the tax. The final outcome was a voter initiative to place a ¼ percent sales tax with a ten year sunset clause on the November 2016 ballot which would move the Douglas County Sales Tax Rate from 7.1% to 7.35%. The outcome of this initiative will not be known until after the submittal of the FY16/17 audit.

Installment Purchase Agreement Funding - Additionally, the District engaged in a \$5 Million, 15 year 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. Savings of \$33,273, \$30,142, and \$33,360 beyond the original projections for the first three years of the contract were reported through annual measurement and verification cost savings reports in March 2011, March 2012, and March 2013 respectively. The fifth year valuation yielded similar results in March 2015 reflecting savings of \$32,972. The next valuation period will be in year 10 (2020), and the final valuation will be in year 15 (2025).

The issuance of the IPA in 2008 was for a period of 15 years with principal and interest repayment to be paid from the General Fund with savings initiated by the Energy Services Contract (ESCO). Interest rates fell to the point where it was in the District's best interest to refinance the remaining principal and interest over the next 12 years. On June 15, 2012 the District refinanced this note with a new installment purchase agreement in the amount of \$4,980,000. This will create savings in excess of \$400,000 over the life of the loan. Payments on the new note including 2.25% began January 2013 and will continue until January 2023.

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).

DOUGLAS COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

As a result of the ESCO projects, the District was named as the School District Finalist for the 2011 Cashman Good Government award by the Nevada Taxpayers Association for staff's efforts and the project's resulting operational savings. Similarly, the District has been recognized by both the Nevada Department of Energy and the US Department of Energy as a success story with "Best Practices" noted in a white paper published by the US Department of Energy, and further used by Lawrence Berkley Labs for a K-12 case study for financing energy upgrades.

http://www1.eere.energy.gov/wip/solutioncenter/pdfs/financing_energy_upgrades_k-12.pdf

Additionally, the District was named one of the first public schools to participate in the Better Buildings Challenge (BBC), partnering with the US Department of Energy in reducing the energy used across the District's building portfolio (in excess of 900,000 square feet) by 20 percent or more by 2020. The District's showcase model has been completed, and the forum on the US Department of Energy's website reflects the solutions used and the results achieved.

<https://betterbuildingsolutioncenter.energy.gov/implementation-models/a-lesson-plan-financing-k-12-energy-efficiency>

Buildings and Sites Funding – This fund is designated to receive all monies from rental or sale of District's real property per NRS 393.320 and is restricted to capital related expenditures only. The District is currently pursuing leasing and/or sale options for the Kingsbury Middle School Site, and potentially the detached gym, "Old School Playhouse," at Carson Valley Middle School. Proceeds would be solely allocated to capital projects to further support of the District's FMP.

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 Services Office, 1638 Mono Avenue, Minden, Nevada 89423.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 23,777,522
Receivables	5,166,423
Inventories	136,328
Capital assets, net	79,857,046
Total Assets	<u>108,937,319</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>12,312,011</u>
Total Assets and Deferred Outflows	<u>121,249,330</u>
LIABILITIES	
Accounts payable and accrued expenses	7,876,360
Unearned revenues	953,665
Noncurrent liabilities:	
Due within one year	1,563,814
Due in more than one year	42,688,604
Obligation for other postemployment benefits	9,806,423
Net pension liability	69,799,991
Total Liabilities	<u>132,688,857</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>9,589,287</u>
Total Liabilities and Deferred Inflows	<u>142,278,144</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	37,978,771
Restricted for:	
Debt service	3,588,769
Employee benefits	4,182,853
Capital projects	5,332,667
Child nutrition services	416,967
Other	1,306
Unrestricted	<u>(72,530,147)</u>
Total Net Position (Deficit)	<u>\$ (21,028,814)</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES					
Instruction:					
Regular instruction	\$ 27,674,391	\$ 340,595	\$ 5,033,551	\$ -	\$ (22,300,245)
Special instruction	9,334,024	-	1,064,764	-	(8,269,260)
Vocational instruction	1,743,133	-	810,155	-	(932,978)
Adult instruction	119,712	-	119,500	-	(212)
Extra and cocurricular	500,646	-	-	-	(500,646)
Other instruction	2,170,251	-	267,249	-	(1,903,002)
Total Instruction	41,542,157	340,595	7,295,219	-	(33,906,343)
Support Services:					
Student support	2,538,414	-	80,458	-	(2,457,956)
Instructional staff support	1,248,093	-	130,252	-	(1,117,841)
General administration	573,502	-	-	-	(573,502)
School administration	4,468,202	-	19,253	-	(4,448,949)
Central services	1,968,687	-	15,340	-	(1,953,347)
Operation and maintenance	6,966,571	-	-	-	(6,966,571)
Student transportation	3,089,185	-	-	-	(3,089,185)
Other support	1,152,973	-	26,281	-	(1,126,692)
Facilities acquisition and construction	2,823,407	-	100,961	341,625	(2,380,821)
Community support	9,893	-	9,875	-	(18)
Food service	1,685,495	570,105	1,097,601	-	(17,789)
Interest on long-term debt	1,761,341	-	-	-	(1,761,341)
Total Support Services	28,285,763	570,105	1,480,021	341,625	(25,894,012)
Total School District	\$ 69,827,920	\$ 910,700	\$ 8,775,240	\$ 341,625	(59,800,355)

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
General Revenues:					
					\$ 19,047,011
					2,622,465
					14,570,073
					2,816,509
					1,163,782
					364,149
					72,107
					388,433
					16,768,552
					<u>57,813,081</u>
					(1,987,274)
					<u>(19,041,540)</u>
					<u>\$ (21,028,814)</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	GENERAL	SPECIAL	DEBT	CAPITAL	BOND	NON-MAJOR	TOTALS	
	FUND	EDUCATION	SERVICE	PROJECTS		GOV'T	GOVERNMENTAL FUNDS	
		FUND	FUND	FUND	FUND	FUNDS	2016	2015
ASSETS								
Cash and investments	\$ 5,984,645	\$ 1,202,276	\$ 3,576,569	\$ 5,488,444	\$ 2,031,616	\$ 565,177	\$ 18,848,727	\$ 22,577,991
Deposits held by fiscal agent	162,109	-	5,386	18,018	-	-	185,513	478,473
Receivables	3,029,635	842	35,100	111,833	953	1,829,619	5,007,982	6,455,378
Due from other funds	578,058	-	-	-	-	-	578,058	832,574
Inventories	79,602	-	-	-	-	56,726	136,328	149,857
Total Assets	<u>\$ 9,834,049</u>	<u>\$ 1,203,118</u>	<u>\$ 3,617,055</u>	<u>\$ 5,618,295</u>	<u>\$ 2,032,569</u>	<u>\$ 2,451,522</u>	<u>\$ 24,756,608</u>	<u>\$ 30,494,273</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 3,795,242	\$ 761,527	-	\$ 337,994	\$ 132,672	\$ 1,004,607	\$ 6,032,042	\$ 8,362,462
Retainage payable	-	-	-	27,787	122,835	-	150,622	732,736
Due to other funds	1,177,697	-	-	-	-	578,058	1,755,755	1,401,942
Unearned revenues	-	-	28,286	-	-	313,705	341,991	416,553
Total Liabilities	<u>4,972,939</u>	<u>761,527</u>	<u>28,286</u>	<u>365,781</u>	<u>255,507</u>	<u>1,896,370</u>	<u>8,280,410</u>	<u>10,913,693</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	<u>202,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,466</u>	<u>279,508</u>
FUND BALANCES								
Nonspendable	79,602	-	-	-	-	56,726	136,328	149,857
Restricted	-	-	3,588,769	5,252,514	1,777,062	497,120	11,115,465	13,466,582
Assigned	1,812,892	441,591	-	-	-	1,306	2,255,789	660,802
Unassigned	2,766,150	-	-	-	-	-	2,766,150	5,023,831
Total Fund Balance	<u>4,658,644</u>	<u>441,591</u>	<u>3,588,769</u>	<u>5,252,514</u>	<u>1,777,062</u>	<u>555,152</u>	<u>16,273,732</u>	<u>19,301,072</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 9,834,049</u>	<u>\$ 1,203,118</u>	<u>\$ 3,617,055</u>	<u>\$ 5,618,295</u>	<u>\$ 2,032,569</u>	<u>\$ 2,451,522</u>	<u>\$ 24,756,608</u>	<u>\$ 30,494,273</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT) JUNE 30, 2016

Fund Balance - Governmental Funds	\$	16,273,732
Amounts reported for governmental activities in the Statement of Net Position (Deficit) 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	149,091,436	
Less accumulated depreciation	<u>(69,234,390)</u>	
		79,857,046
Deferred outflows related to pension payments made subsequent to the measurement date.		12,312,011
The fund financial statements include a deferred inflow for property taxes which have not been collected. The government-wide financial statements recognize tax revenue in the period for which it is levied.		202,466
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	(39,810,000)	
Bond premium	(318,997)	
Bond discount	40,660	
Accrued interest payable	(408,803)	
Note payable	(3,567,000)	
Compensated absences	<u>(597,081)</u>	
		(44,661,221)
The liability for estimated future payments for benefits provided to current and future retirees is not reported in fund liabilities since it will not be paid from current resources.		(9,806,423)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities.		(69,799,991)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in governmental funds.		(9,589,287)
Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds are reported with governmental activities.		<u>4,182,853</u>
Net Position (Deficit) - Governmental Activities	\$	<u>(21,028,814)</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	GENERAL FUND	SPECIAL EDUCATION FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	BOND FUND	NON-MAJOR GOV'T FUNDS	TOTAL GOVERNMENTAL FUNDS	
							2016	2015
REVENUES								
Local sources	\$ 37,355,817	\$ 3,099	\$ 2,622,465	\$ 1,411,870	\$ 11,093	\$ 872,610	\$ 42,276,954	\$ 41,047,650
State sources	13,518,543	3,250,009	-	-	-	4,120,963	20,889,515	20,611,147
Federal sources	43,384	-	341,625	-	-	4,357,205	4,742,214	5,362,025
Total Revenues	50,917,744	3,253,108	2,964,090	1,411,870	11,093	9,350,778	67,908,683	67,020,822
EXPENDITURES								
Regular programs	22,298,368	-	-	-	-	5,039,829	27,338,197	27,318,631
Special programs	-	8,133,290	-	-	-	1,064,763	9,198,053	7,136,774
Vocational programs	890,201	-	-	-	-	810,155	1,700,356	859,685
Adult instruction	-	-	-	-	-	119,500	119,500	148,785
Extra and Co-Curricular	499,105	-	-	-	-	-	499,105	494,989
Other instructional programs	1,614,534	259,030	-	-	-	267,249	2,140,813	2,471,833
Undistributed Expenditures:								
Student support	2,411,128	-	-	-	-	80,461	2,491,589	3,726,203
Instructional staff support	1,083,057	-	-	-	-	130,252	1,213,309	1,197,023
General administration	564,339	-	-	-	-	-	564,339	605,369
School administration	4,390,233	-	-	-	-	19,253	4,409,486	4,300,951
Central services	2,000,349	-	-	-	-	15,340	2,015,689	1,842,395
Operation and maintenance	6,913,432	-	-	-	-	-	6,913,432	6,591,666
Student transportation	3,217,340	-	-	-	-	-	3,217,340	3,740,153
Other support	83,439	-	-	443,114	422,789	26,278	975,620	883,428
Food service	-	-	-	-	-	1,644,762	1,644,762	1,658,500
Facilities construction/ acquisition/improvements	-	-	-	800,794	2,266,628	100,961	3,168,383	16,530,724

Continued on next page.

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	GENERAL FUND	SPECIAL EDUCATION FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	BOND FUND	NON-MAJOR GOV'T FUNDS	TOTAL GOVERNMENTAL FUNDS	
							2016	2015
Community service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,875	\$ 9,875	\$ 13,488
Debt Service:								
Principal	399,000	-	1,115,000	-	-	-	1,514,000	1,565,000
Interest	87,006	-	1,705,089	-	-	-	1,792,095	1,699,263
Fiscal agent charges	-	-	5,550	-	-	-	5,550	5,800
Total Expenditures	46,451,531	8,392,320	2,825,639	1,243,908	2,689,417	9,328,678	70,931,493	82,790,660
Revenues Over (Under)								
Expenditures	4,466,213	(5,139,212)	138,451	167,962	(2,678,324)	22,100	(3,022,810)	(15,769,838)
OTHER FINANCING SOURCES (USES)								
Sale of fixed assets	9,004	-	-	-	-	-	9,004	9,565
Transfers (to) from other funds	(4,920,000)	4,920,000	(1,300,000)	1,300,000	-	-	-	-
Bond proceeds and premiums	-	-	-	-	-	-	-	5,077,202
	(4,910,996)	4,920,000	(1,300,000)	1,300,000	-	-	9,004	5,086,767
Net Change in Fund Balances	(444,783)	(219,212)	(1,161,549)	1,467,962	(2,678,324)	22,100	(3,013,806)	(10,683,071)
FUND BALANCES, July 1	5,113,090	660,803	4,750,318	3,784,552	4,455,386	536,918	19,301,067	30,022,719
Increase (decrease) in reserve for inventories	(9,663)	-	-	-	-	(3,866)	(13,529)	(38,581)
FUND BALANCES, June 30	\$ 4,658,644	\$ 441,591	\$ 3,588,769	\$ 5,252,514	\$ 1,777,062	\$ 555,152	\$ 16,273,732	\$ 19,301,067

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (3,027,335)

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. 207,090

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. 15,545

Certain revenues are recorded in the fund statements when received. In the Statement of Activities, revenues are recognized when earned. (77,042)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,514,000

Any discount or premium realized at the time of incurring debt is recognized as an 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. 23,884

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. (96,272)

Change in pension expense related to deferred items. 647,460

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. (709,856)

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. (484,748)

Change in Net Position of Governmental Activities \$ (1,987,274)

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016 ACTUAL	VARIANCE TO FINAL BUDGET	2015 ACTUAL
	ORIGINAL	FINAL			
REVENUES					
Local Sources:					
Ad valorem taxes	\$ 18,931,706	\$ 18,931,706	\$ 19,124,053	\$ 192,347	\$ 18,730,925
Local school support tax	13,506,127	14,578,785	14,570,073	(8,712)	14,192,552
Governmental services tax	2,595,712	2,595,712	2,816,509	220,797	2,598,875
Franchise tax	50,000	54,104	133,875	79,771	60,812
Out-of-state tuition	380,000	339,000	338,109	(891)	382,119
Earnings on investments	13,000	13,000	37,153	24,153	12,852
Other	764,846	288,288	336,045	47,757	241,383
Total Local Sources	36,241,391	36,800,595	37,355,817	555,222	36,219,518
State Sources:					
Distributive school account	14,430,787	13,525,059	13,518,543	(6,516)	14,118,603
Federal Sources:					
In lieu of tax	2,400	2,000	-	(2,000)	2,066
E-rate funds	50,000	43,000	43,384	384	50,578
Total Federal Sources	52,400	45,000	43,384	(1,616)	52,644
Total Revenues	50,724,578	50,370,654	50,917,744	547,090	50,390,765
EXPENDITURES					
Regular Programs:					
Salaries	14,992,865	14,938,568	14,775,514	163,054	14,806,928
Benefits	6,274,801	6,292,080	6,287,442	4,638	6,034,187
Purchased services	345,926	185,671	155,532	30,139	207,747
Supplies	986,405	1,069,290	1,008,344	60,946	773,972
Property	-	63,050	63,050	-	-
Other	6,000	7,862	8,486	(624)	9,685
	22,605,997	22,556,521	22,298,368	258,153	21,832,519
Vocational Programs:					
Salaries	452,244	591,486	589,621	1,865	448,782
Benefits	198,783	257,409	258,128	(719)	189,722
Purchased services	14,693	6,393	923	5,470	2,348
Supplies	60,154	53,054	37,464	15,590	56,471
Other	1,200	500	4,065	(3,565)	240
	727,074	908,842	890,201	18,641	697,563

Continued on next page.

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Extra and Co-Curricular Activities:					
Co-Curricular Activities:					
Salaries	\$ 150,000	\$ 150,000	\$ 126,836	\$ 23,164	\$ 129,243
Benefits	3,853	7,706	3,373	4,333	3,610
Purchased services	7,550	11,500	13,492	(1,992)	6,253
Supplies	20,600	10,300	6,309	3,991	12,036
Other	5,200	4,000	2,777	1,223	4,971
	<u>187,203</u>	<u>183,506</u>	<u>152,787</u>	<u>30,719</u>	<u>156,113</u>
Athletics:					
Salaries	259,315	259,315	242,594	16,721	236,680
Benefits	9,564	10,838	12,785	(1,947)	11,906
Purchased services	67,600	64,100	58,624	5,476	61,070
Supplies	20,200	25,200	22,753	2,447	24,022
Other	6,100	7,100	9,562	(2,462)	5,198
	<u>362,779</u>	<u>366,553</u>	<u>346,318</u>	<u>20,235</u>	<u>338,876</u>
Total Extra-and Co-Curricular Activities	<u>549,982</u>	<u>550,059</u>	<u>499,105</u>	<u>50,954</u>	<u>494,989</u>
Other Instructional Programs:					
Salaries	986,647	1,054,292	1,024,208	30,084	994,789
Benefits	422,252	427,371	420,198	7,173	392,845
Purchased services	139,100	141,900	126,650	15,250	119,588
Supplies	48,973	47,455	41,903	5,552	47,454
Other	800	800	1,575	(775)	595
	<u>1,597,772</u>	<u>1,671,818</u>	<u>1,614,534</u>	<u>57,284</u>	<u>1,555,271</u>
Undistributed Expenditures:					
Student Support:					
Salaries	1,606,705	1,640,234	1,651,515	(11,281)	1,635,094
Benefits	705,689	782,843	707,680	75,163	655,634
Purchased services	53,097	53,849	28,211	25,638	28,373
Supplies	44,282	43,957	17,015	26,942	26,669
Property	5,000	5,000	5,000	-	5,000
Other	2,609	734	1,707	(973)	2,693
	<u>2,417,382</u>	<u>2,526,617</u>	<u>2,411,128</u>	<u>115,489</u>	<u>2,353,463</u>

Continued on next page.

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Instructional Staff Support:					
Salaries	\$ 699,597	\$ 708,793	\$ 710,461	\$ (1,668)	\$ 740,002
Benefits	274,490	288,467	285,271	3,196	293,479
Purchased services	83,319	159,057	39,881	119,176	85,709
Supplies	57,228	55,461	46,710	8,751	50,264
Other	2,000	1,150	734	416	956
	<u>1,116,634</u>	<u>1,212,928</u>	<u>1,083,057</u>	<u>129,871</u>	<u>1,170,410</u>
General Administration:					
Salaries	241,047	255,319	256,343	(1,024)	219,498
Benefits	140,485	130,524	125,423	5,101	114,005
Purchased services	260,298	258,448	147,922	110,526	199,674
Supplies	28,750	21,600	13,114	8,486	14,450
Property	-	-	-	-	34,022
Other	18,500	22,500	21,537	963	19,758
	<u>689,080</u>	<u>688,391</u>	<u>564,339</u>	<u>124,052</u>	<u>601,407</u>
School Administration:					
Salaries	2,884,879	2,980,240	2,963,728	16,512	2,872,587
Benefits	1,213,182	1,212,175	1,235,400	(23,225)	1,155,631
Purchased services	207,295	177,124	141,814	35,310	149,163
Supplies	51,340	49,841	47,645	2,196	44,509
Other	1,850	1,909	1,646	263	3,033
	<u>4,358,546</u>	<u>4,421,289</u>	<u>4,390,233</u>	<u>31,056</u>	<u>4,224,923</u>
Central Services:					
Salaries	1,041,921	1,070,571	1,081,214	(10,643)	977,766
Benefits	396,891	424,670	414,071	10,599	358,527
Purchased services	240,680	308,680	246,135	62,545	190,105
Supplies	175,242	169,792	180,532	(10,740)	177,748
Property	141,525	78,475	74,725	3,750	134,285
Other	5,000	3,700	3,672	28	3,964
	<u>2,001,259</u>	<u>2,055,888</u>	<u>2,000,349</u>	<u>55,539</u>	<u>1,842,395</u>

Continued on next page.

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Operation and Maintenance:					
Salaries	\$ 2,549,611	\$ 2,568,017	\$ 2,495,070	\$ 72,947	\$ 2,440,172
Benefits	1,029,740	1,068,721	1,049,769	18,952	978,702
Purchased services	1,641,570	1,742,372	1,694,916	47,456	1,319,579
Supplies	1,774,429	1,733,846	1,580,721	153,125	1,583,337
Property	112,500	144,000	92,611	51,389	269,876
Other	-	500	345	155	-
	<u>7,107,850</u>	<u>7,257,456</u>	<u>6,913,432</u>	<u>344,024</u>	<u>6,591,666</u>
Student Transportation:					
Salaries	1,437,822	1,643,772	1,655,959	(12,187)	1,713,100
Benefits	721,788	802,926	803,340	(414)	703,327
Purchased services	123,494	132,549	97,114	35,435	129,954
Supplies	562,243	466,488	363,972	102,516	431,306
Property	372,042	330,542	296,851	33,691	324,089
Other	-	-	104	(104)	-
	<u>3,217,389</u>	<u>3,376,277</u>	<u>3,217,340</u>	<u>158,937</u>	<u>3,301,776</u>
Other Support:					
Salaries	90,000	90,000	71,542	18,458	22,474
Benefits	33,353	36,757	11,897	24,860	27,328
Purchased services	20,000	20,000	-	20,000	2,158
Supplies	10,000	10,000	-	10,000	-
	<u>153,353</u>	<u>156,757</u>	<u>83,439</u>	<u>73,318</u>	<u>51,960</u>
Total Undistributed Expenditures	<u>21,061,493</u>	<u>21,695,603</u>	<u>20,663,317</u>	<u>1,032,286</u>	<u>20,138,000</u>
Debt Service:					
Principal	399,000	399,000	399,000	-	380,000
Interest	87,008	87,008	87,006	2	95,660
	<u>486,008</u>	<u>486,008</u>	<u>486,006</u>	<u>2</u>	<u>475,660</u>
Contingency	<u>471,091</u>	<u>527,868</u>	<u>-</u>	<u>527,868</u>	<u>-</u>
Total Expenditures	<u>47,499,417</u>	<u>48,396,719</u>	<u>46,451,531</u>	<u>1,945,188</u>	<u>45,194,002</u>

Continued on next page.

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Revenues Over (Under)					
Expenditures	\$ 3,225,161	\$ 1,973,935	\$ 4,466,213	\$ 2,492,278	\$ 5,196,763
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	\$ 5,000	\$ 5,000	\$ 9,004	\$ 4,004	\$ 9,565
Transfers to other funds	(5,570,000)	(4,920,000)	(4,920,000)	-	(5,200,000)
	(5,565,000)	(4,915,000)	(4,910,996)	4,004	(5,190,435)
Net Change in Fund Balance	(2,339,839)	(2,941,065)	(444,783)	2,496,282	6,328
FUND BALANCE, July 1	4,632,608	5,108,091	5,113,090	4,999	5,129,338
Increase (Decrease) in Reserve for Inventories	-	-	(9,663)	(9,663)	(22,576)
FUND BALANCE, June 30	<u>\$ 2,292,769</u>	<u>\$ 2,167,026</u>	<u>\$ 4,658,644</u>	<u>\$ 2,491,618</u>	<u>\$ 5,113,090</u>

See accompanying notes.

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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, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Earnings on investments	\$ 800	\$ 800	\$ 3,099	\$ 2,299	\$ 1,090
State Sources:					
State appropriation	3,056,268	3,250,008	3,250,009	1	3,056,268
Total Revenues	3,057,068	3,250,808	3,253,108	2,300	3,057,358
EXPENDITURES					
Special Programs:					
Instruction:					
Salaries	4,534,933	4,228,996	4,233,885	(4,889)	4,208,429
Benefits	2,065,072	1,997,371	1,988,590	8,781	1,863,200
Supplies	8,550	10,950	6,571	4,379	4,806
	6,608,555	6,237,317	6,229,046	8,271	6,076,435
Other Direct Support:					
Salaries	461,761	430,317	428,814	1,503	417,331
Benefits	192,427	146,574	144,194	2,380	141,022
Purchased services	639,526	810,409	804,477	5,932	706,128
Supplies	12,500	36,000	40,592	(4,592)	32,299
Other	-	16,000	15,867	133	351
	1,306,214	1,439,300	1,433,944	5,356	1,297,131
Student Transportation:					
Salaries	380,763	334,381	334,282	99	267,221
Benefits	126,880	96,000	95,953	47	108,629
Supplies	50,654	40,654	40,065	589	51,073
	558,297	471,035	470,300	735	426,923
Total Special Programs	8,473,066	8,147,652	8,133,290	14,362	7,800,489

Continued on next page.

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, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other Instructional Programs:					
Academically Talented:					
Salaries	\$ 238,627	\$ 185,526	\$ 179,959	\$ 5,567	\$ 235,604
Benefits	103,169	72,234	77,802	(5,568)	99,293
Supplies	1,750	1,829	1,269	560	1,852
Total Other Instructional	343,546	259,589	259,030	559	336,749
Contingency	88,166	84,072	-	84,072	-
Total Expenditures	8,904,778	8,491,313	8,392,320	98,993	8,137,238
Revenues Over (Under) Expenditures	(5,847,710)	(5,240,505)	(5,139,212)	101,293	(5,079,880)
OTHER FINANCING SOURCES					
Transfers from other funds	5,570,000	4,920,000	4,920,000	-	5,200,000
Net Change in Fund Balance	(277,710)	(320,505)	(219,212)	101,293	120,120
FUND BALANCE, July 1	629,744	660,803	660,803	-	540,683
FUND BALANCE, June 30	<u>\$ 352,034</u>	<u>\$ 340,298</u>	<u>\$ 441,591</u>	<u>\$ 101,293</u>	<u>\$ 660,803</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and investments	\$ 4,743,282	\$ 5,903,477
Receivables	1,336,138	81,538
Due from other funds	1,177,697	569,368
Total Assets	<u>7,257,117</u>	<u>6,554,383</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	51,308	30,273
Unearned revenue	611,674	613,918
Pending claims	1,233,585	1,242,591
Total Current Liabilities	<u>1,896,567</u>	<u>1,886,782</u>
NET POSITION		
Restricted	<u>\$ 4,182,853</u>	<u>\$ 4,667,601</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Insurance premiums	\$ 6,965,137	\$ 6,804,233
Insurance proceeds and other	425,993	33,717
Other	13,178	14,636
Total Operating Revenues	<u>7,404,308</u>	<u>6,852,586</u>
OPERATING EXPENSES		
Claims expense	6,985,015	6,283,471
Purchased services	872,863	885,284
Other	52,645	-
Total Operating Expenses	<u>7,910,523</u>	<u>7,168,755</u>
Operating Income (Loss)	(506,215)	(316,169)
NONOPERATING REVENUES		
Earnings on investments	<u>21,467</u>	<u>9,070</u>
Change in Net Position	(484,748)	(307,099)
NET POSITION, July 1	<u>4,667,601</u>	<u>4,974,700</u>
NET POSITION, June 30	<u>\$ 4,182,853</u>	<u>\$ 4,667,601</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from insurance premiums	\$ 6,257,128	\$ 6,816,711
Cash received from insurance proceeds and other	460,076	48,353
Cash paid for claims expense	(6,994,021)	(6,499,429)
Cash paid for services and supplies	(904,474)	(968,962)
Net cash provided (used) by operating activities	(1,181,291)	(603,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	21,096	9,070
Net Increase (Decrease) in Cash and Investments	(1,160,195)	(594,257)
CASH AND INVESTMENTS, July 1	<u>5,903,477</u>	<u>6,497,734</u>
CASH AND INVESTMENTS, June 30	<u>\$ 4,743,282</u>	<u>\$ 5,903,477</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (506,215)	\$ (316,169)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Receivables	18,056	2,907
Premiums due from other funds	(702,917)	(62,071)
Accounts payable	21,035	(83,678)
Unearned revenues	(2,244)	71,788
Pending claims	(9,006)	(216,104)
Total Adjustments	(675,076)	(287,158)
Net cash provided (used) by operating activities	<u>\$ (1,181,291)</u>	<u>\$ (603,327)</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

STATEMENT OF AGENCY ASSETS AND LIABILITIES

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	<u>STUDENT ACTIVITY FUNDS</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	<u>\$ 827,451</u>	<u>\$ 689,411</u>
LIABILITIES		
Due to student groups	<u>\$ 827,451</u>	<u>\$ 689,411</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 – District-Wide Statements

The basic financial statements include both district-wide (based on the District as a whole) and fund financial statements. The District-wide financial statements (the Statement of Net Position 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 District-wide Statement of Net Position, 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 position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities then unrestricted resources, as they are needed.

The District-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by 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 charges for

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

services, grants, 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.

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 district-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 position, 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.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 district-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.

Special Education Fund

The Special Education Fund is 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.

Debt Service Fund

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.

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:

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, the Class Size Reduction Fund and the Federal and State Grant 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.

Measurement Focus

District-Wide Financial Statements

The District-wide statements, as well as the proprietary fund financial statements, are prepared using the economic resources measurement focus. The agency funds (student activity funds) have no measurement focus.

All assets and liabilities associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide financial statements and the governmental funds financial statements.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The District-wide financial statements and the proprietary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, and in the presentation of expenses versus expenditures.

Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available generally means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include taxes, grants, entitlements and donations for which the revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Property taxes are recognized as revenues in the year for which they are levied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year-end: investment earnings, grants and entitlements.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred *outflows* of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred *inflows* of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has limited items that qualify as deferred *inflows* of resources. One is that which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, certain pension-related items are reported as deferred *outflows* and deferred *inflows* on the Statement of Net Position. See Note 9 for additional information on these elements.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.
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.
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 include the adjustments for legally authorized revisions made during the year. Appropriations, except encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. Restricted cash includes cash reserved for the acquisition or construction of capital assets or improvements.

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.
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.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, vehicles, 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.

Accrued Liabilities

Accrued liabilities consist principally of teacher, administrator, and other District employee salaries and benefits for the school program year ended June 30, 2016, but not yet paid.

Expenditures

Expenditure data is characterized by major program classifications pursuant to the provisions of the National Center for Education Statistics handbook, *Financial Accounting for Local and State School Systems*, as modified by the State of Nevada Department of Education.

A brief description of these program classifications follows:

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. Payments will be made as a lump sum at the rate of \$33 per day of accumulated and vested sick leave for eligible administrators (Douglas County Administrators Association); \$30 per day of accumulated and vested sick leave for eligible classified (Douglas County Support Staff Organization) and confidential (meet and confer classification of employees) employees; and \$25 per day of accumulated and vested sick leave for all other eligible employees. 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 district-wide financial statements.

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.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Prior Year Information

Certain 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, 2015, from which summarized information was derived. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Such reclassifications relate primarily to the determination of major and nonmajor funds, as previously discussed.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

The District conformed to all significant statutory constraints on its financial administration during the year, with the possible exception of the following. However, under the provisions of the Nevada Administrative Code (NAC) as noted below, the District believes these are not unlawful expenditures.

<u>Fund</u>	<u>Expenditures in Excess of Budget</u>	<u>NAC</u>
Self-Insurance Health Fund	<u>\$ 435,284</u>	354.481

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, 2016, the District had the following amounts reported as cash and investments:

District-Wide Balances:	
Pooled cash	\$ 1,912,009
Deposit held with fiscal agent	185,513
Investments	<u>21,680,000</u>
	23,777,522
Fiduciary Fund Balances:	
Cash held by Student Activity Funds	<u>827,451</u>
Total Cash and Investments	<u>\$ 24,604,973</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000
Uninsured but collateralized by securities held in the name of the Office of the State Treasurer/Nevada Collateral Pool	<u>2,053,305</u>
	<u>\$ 2,553,305</u>

As of June 30, 2016, the District had \$21,680,000 invested with Nevada's Local Government Investment Pool. The investment is stated at fair value with a maturity date of less than one year.

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 \$21,680,000 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, 2016

NOTE 4 – RECEIVABLES

The District had the following receivables as of June 30, 2016:

	Taxes Receivable	Due from Other Gov't.	Other	Total Receivables
<i>Major Governmental Funds:</i>				
General	\$ 253,930	\$ 2,680,815	\$ 94,890	\$ 3,029,635
Special Education	-	-	842	842
Debt Service	35,100	-	-	35,100
Capital Projects	-	109,289	2,544	111,833
Bond	-	-	953	953
<i>Other Governmental Funds</i>	-	1,709,399	120,220	1,829,619
Total Governmental Funds	<u>\$ 289,030</u>	<u>\$ 4,499,503</u>	<u>\$ 219,449</u>	<u>\$ 5,007,982</u>

NOTE 5 – INTERFUND BALANCES AND TRANSACTIONS

From time to time, certain funds may temporarily overdraw their allocation of the pooled cash resources creating interfund receivable/payable balances. These occurrences typically arise either because the fund is a reimbursement type fund and must expend resources prior to the reimbursement or because the fund would otherwise have to liquidate investments.

The cost of health and workers' compensation insurance benefits are accounted for in internal service funds which assess each fund based on total enrolled members in the District's plan. The amounts due to the Self Insurance Health Fund and Workers' Compensation Self-Insurance Fund at year end represent the portion attributable to year end accrued salaries.

Interfund receivable and payable balances at June 30, 2016 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund:		
General Fund	\$ 578,058	\$ 1,177,697
Nonmajor Governmental Fund:		
Federal and State Grants Fund	-	578,058
Internal Service Funds:		
Self Insurance Health Fund	1,125,529	-
Workers' Comp. Self-Insurance Fund	52,168	-
	<u>\$ 1,755,755</u>	<u>\$ 1,755,755</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 primarily to supplement programs that are not fully funded by general revenues through the distributive school account. Transfers made during the year ended June 30, 2016 were \$4,900,000 from the General Fund to the Special Education Fund and \$1,300,000 from the Debt Service Fund to the Capital Projects Fund.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Additions / Transfers	Deletions / Transfers	Balance June 30, 2016
Nondepreciable Capital Assets				
Land	\$ 1,413,439	\$ -	\$ -	\$ 1,413,439
Construction in progress	18,821,063	3,908,783	(22,438,211)	291,635
	<u>20,234,502</u>	<u>3,908,783</u>	<u>(22,438,211)</u>	<u>1,705,074</u>
Depreciable Capital Assets				
Buildings and improvements	115,512,208	22,313,674	-	137,825,882
Equipment and vehicles	8,788,720	777,601	(5,841)	9,560,480
	<u>124,300,928</u>	<u>23,091,275</u>	<u>(5,841)</u>	<u>147,386,362</u>
Total Capital Assets	<u>144,535,430</u>	<u>27,000,058</u>	<u>(22,444,052)</u>	<u>149,091,436</u>
Less accumulated depreciation for:				
Buildings and improvements	58,511,063	3,909,771	-	62,420,834
Equipment and vehicles	6,374,415	444,982	(5,841)	6,813,556
	<u>64,885,478</u>	<u>4,354,753</u>	<u>(5,841)</u>	<u>69,234,390</u>
Governmental Activities, Capital Assets, net	<u>\$ 79,649,952</u>	<u>\$ 22,645,305</u>	<u>\$ (22,438,211)</u>	<u>\$ 79,857,046</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Depreciation expense was allocated to the following functions/programs:

Instruction:

Regular	\$	95,625
Special		27,950
Vocational		28,322
Other		3,563
		<u>155,460</u>

Support:

Student	\$	2,508
Instructional staff		20,984
General administration		3,064
School administration		550
Central services		70,503
Operations and maintenance		80,074
Student transportation		168,325
Other		258,636
Facilities construction and improvement		3,571,688
Food services		22,961
		<u>4,199,293</u>

Summary:

Instruction		155,460
Support		<u>4,199,293</u>
Total Depreciation Expense		<u>\$ 4,354,753</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of the changes in the District's long-term obligations during the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions of New Debt	Retirements, Repayments and Reductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds	\$40,925,000	\$ -	\$ (1,115,000)	\$39,810,000	\$ 1,330,000
Plus: Bond Premiums	353,217	-	(34,220)	318,997	34,150
Less: Bond Discounts	(50,996)	-	10,336	(40,660)	(10,336)
Total Bonds Payable	41,227,221	-	(1,138,884)	40,088,337	1,353,814
Compensated Absences	500,809	96,272	-	597,081	-
Installment Note Payable	3,966,000	-	(399,000)	3,567,000	210,000
	<u>\$45,694,030</u>	<u>\$ 96,272</u>	<u>\$ (1,537,884)</u>	<u>\$44,252,418</u>	<u>\$ 1,563,814</u>

Total interest expense for the year ended June 30, 2016 was \$1,761,341.

The District was, in accordance with NRS 387.400, within the legal debt limit at June 30, 2016.

General Obligation Bonds payable consist of the following at June 30, 2016:

Issue	Date Issued	Date of Final Maturity	Original Interest Rate %	Amount Issued	Balance June 30, 2016
Building Bonds	2/11/2009	7/1/2028	3.0 - 4.0	\$ 3,500,000	\$ 2,765,000
Improvement Bonds (BABs)	3/25/2010	4/1/2030	4.9 - 6.1	12,625,000	12,625,000
Improvement Bonds	3/25/2010	4/1/2018	3.0 - 4.0	2,375,000	820,000
Improvement Bonds (QSCBs)	5/13/2010	4/1/2027	4.5 - 6.4	2,305,000	2,000,000
Improvement Bonds	12/19/2012	4/1/2042	2.0 - 3.25	9,000,000	8,600,000
Improvement Bonds	10/16/2013	4/1/2034	3.0 - 4.0	8,500,000	8,000,000
Improvement Bonds	2/19/2015	4/1/2035	2.0 - 3.25	5,000,000	5,000,000
					<u>\$ 39,810,000</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The annual requirements to amortize all General Obligation Debt outstanding as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Expected Interest Subsidy	Total Requirements
2017	\$ 1,330,000	\$ 1,653,781	\$ (367,536)	\$ 2,616,245
2018	1,305,000	1,615,056	(367,536)	2,552,520
2019	1,415,000	1,574,356	(367,536)	2,621,820
2020	1,430,000	1,524,921	(358,984)	2,595,937
2021 - 2025	9,820,000	6,490,083	(1,497,482)	14,812,601
2026 - 2030	12,995,000	3,815,486	(617,213)	16,193,273
2031 - 2035	7,480,000	1,352,404	-	8,832,404
2036 - 2040	2,785,000	459,230	-	3,244,230
2041 - 2042	1,250,000	58,909	-	1,308,909
	<u>\$ 39,810,000</u>	<u>\$ 18,544,226</u>	<u>\$ (3,576,287)</u>	<u>\$ 54,777,939</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. On June 15, 2012 the District refinanced this note with a new installment purchase agreement in the amount of \$4,980,000. Payments on the note including interest at 2.25% began January 2013 and will continue until July 2023.

The annual requirements to amortize the outstanding installment note payable as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2017	\$ 422,000	\$ 77,895	\$ 499,895
2018	446,000	68,265	514,265
2019	418,000	58,388	476,388
2020	474,000	48,667	522,667
2021 - 2024	1,807,000	84,254	1,891,254
	<u>\$ 3,567,000</u>	<u>\$ 337,470</u>	<u>\$ 3,904,470</u>

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 – FUND BALANCE/NET POSITION

District-Wide Financial Statements

The district-wide Statement of Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is categorized as invested in capital assets, restricted and unrestricted.

Net position is reported as restricted when there are statutory limitation on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The restriction for debt service represents the portion of net position 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 position represents the District's available financial resources.

Fund Financial Statements

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - fund balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The District has inventories that are considered nonspendable.

Restricted – fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – fund balances that contain self-imposed constraints of the District by its Board of Trustees, the highest level of the District's decision making authority. Committed fund balance is reported pursuant to formal action of the Board of Trustees.

Assigned – fund balances that contain self-imposed constraints of the District to be used for a particular purpose. Amounts may be assigned by the Board of Trustees or its designee(s).

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Appropriated assigned fund balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Unassigned – fund balance of the General Fund that is not constrained for any particular purpose.

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

The following is a summary of the District's governmental fund balances as of June 30, 2016:

	Major Funds					Other Gov't Funds	Total Governmental Funds
	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Bond Fund		
Nonspendable:							
Inventories	\$ 79,602	\$ -	\$ -	\$ -	\$ -	\$ 56,726	\$ 136,328
Restricted for:							
Debt service	-	-	3,588,769	-	-	-	3,588,769
School renovations	-	-	-	5,252,514	1,777,062	80,153	7,109,729
Child nutrition services	-	-	-	-	-	416,967	416,967
Education services	-	-	-	-	-	1,306	1,306
Assigned to:							
Education services	1,812,892	441,591	-	-	-	-	2,254,483
Unassigned	2,766,150	-	-	-	-	-	2,766,150
Governmental Fund Balances	\$4,658,644	\$441,591	\$3,588,769	\$5,252,514	\$1,777,062	\$ 555,152	\$ 16,273,732

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 9 – NEVADA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Plan Description

The District contributes to the State of Nevada Public Employees Retirement System (PERS) a statewide, cost-sharing, multiple-employer defined benefit plan administered by the State of Nevada that covers substantially all employees of the District. PERS provides retirement, disability, 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available on the web at <http://www.nvpers.org> or by writing to the State of Nevada Public Employees Retirement System, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Contributions

Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Each School District’s contribution rates are based on biennial actuarial valuations and expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member’s account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan.

The School District’s contributions to the plan for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Contribution Rates for Regular Employees:		
Employer Plan	14.50%	13.25%
Employee/Employer Plan	28.00%	25.75%
Required and Actual Contributions	\$ 8,912,739	\$ 8,393,173

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Benefits Provided

Benefits provisions of the defined benefit pension plan are established by Nevada Revised Statutes (NRS or statute), which may be amended. Benefits are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001. This multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579.

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2016, the District reported a liability of \$69,799,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At June 30, 2015, the District's proportion of the regular plan was .609105%.

For the year ended June 30, 2016, the District recognized pension expense of \$8,233,893 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,250,168
Net difference between projected and actual earnings on pension plan assets	-	3,780,831
Changes in proportion and differences between the District's contributions and proportionate share of contributions	2,840,984	-
The District's contributions subsequent to the measurement date	8,912,739	-
	<u>\$ 11,753,723</u>	<u>\$ 9,030,999</u>

The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2017	\$ (945,040)
2018	(945,040)
2019	(945,040)
2020	(945,040)
2021	(945,040)
Thereafter	(1,464,815)
	<u>\$ (6,190,015)</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Investment rate of return	8.0% per year, including inflation.
Salary increases	4.6% to 9.75% depending on service.
Inflation rate	3.5% per year.
Payroll growth	6.5% per year.
Mortality rates	RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females, none for males.

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	42%	5.50%
Private Equity	10%	6.80%
International Equity	18%	5.75%
Fixed Income	<u>30%</u>	0.25%
Total	<u>100%</u>	

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 8.00%. The following also reflects what the District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00%) or 1.00 percentage point higher (9.00%) than the current discount rate:

1 % Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
<u>\$ 106,361,209</u>	<u>\$ 69,799,991</u>	<u>\$ 39,396,785</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Comprehensive Annual Financial Report, available on the NVPERS website.

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$831,784 for the outstanding amount of contributions to the pension plan.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 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 728 active plan members and 42 retirees as of September 1, 2014, 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 \$851,932 during the year on behalf of 267 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 2.9% of payroll for 2016 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.

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.

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:

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

	Plan		Total
	District	PEBP	
Annual Required Contribution (ARC)	\$ 1,032,405	\$ 821,743	\$ 1,854,148
Interest on net OPEB obligation	315,348	48,514	363,862
Adjustment to ARC	(313,306)	(81,636)	(394,942)
Annual OPEB cost	1,034,447	788,621	1,823,068
Contributions made	(261,281)	(851,932)	(1,113,213)
Increase in net OPEB obligation	773,166	(63,311)	709,855
Net OPEB Obligation - July 1, 2015	7,883,711	1,212,856	9,096,567
Net OPEB Obligation - June 30, 2016	<u>\$ 8,656,877</u>	<u>\$ 1,149,545</u>	<u>\$ 9,806,422</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-2016 were as follows:

	2016	2015	2014
Annual OPEB Cost	\$ 1,823,069	\$ 1,771,644	\$ 2,469,656
% of Annual OPEB Cost Contributed	61%	62%	45%
Net OPEB Obligation	\$ 9,806,423	\$ 9,096,567	\$ 8,425,611

Funded Status and Funding Progress

As of September 1, 2014, 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 (UAAL) was \$22,568,360. The covered payroll was \$35,790,007 and the ratio of unfunded actuarial accrued liability to payroll was 63%. 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, presents 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.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 are presented below:

	<u>District</u>	<u>PEBP</u>
Actuarial Valuation Date	September 1, 2014	September 1, 2014
Actuarial Cost Method	Entry age normal cost	Entry age normal cost
Amortization Period (as of 9/1/14)	30 years	24 years
Amortization Method	Level Percentage Amount	Level Dollar Amount
Asset Valuation Method	No assets in trust	No assets in trust
Investment Rate of Return	4%	4%
Projected Salary Increases	3.00%	N/A
Healthcare Inflation Rate		
Initial Rate	7.5%	7.5%
Ultimate Rate	5%	5%

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. These risks are provided for through participation in the Nevada Public Agency Insurance Pool (the Pool), a public entity risk pool. The District pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool covers its members up to \$10,000,000 per event and a \$10,000,000 general aggregate per member. Property crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sublimits established for earthquake, flood, equipment breakdown, and money and securities.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Self-Insurance Health Fund

The District contributed approximately \$585 per employee 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 \$175,000 and for aggregate loss, which is based on a factor determined monthly by the carrier.

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 \$400,000. 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 2.5%.

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, 2015 and 2016 are shown on the following page.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The changes in the claims liability for the years ended June 30, 2015 and 2016 are:

	Self-Insurance Funds		
	Health Fund	Workers' Compensation	Total
Claims liability, July 1, 2014	\$ 657,695	\$ 801,000	\$ 1,458,695
Current year claims and changes in estimates	6,311,875	(28,550)	6,283,325
Claim payments	(6,143,979)	(355,450)	(6,499,429)
Claims liability, June 30, 2015	825,591	417,000	1,242,591
Current year claims and changes in estimates	6,787,719	197,296	6,985,015
Claim payments	(6,797,725)	(196,296)	(6,994,021)
Claims liability, June 30, 2016	<u>\$ 815,585</u>	<u>\$ 418,000</u>	<u>\$ 1,233,585</u>

NOTE 12 – 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.

DOUGLAS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016

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	6/30/16	9/1/2014	\$ -	\$ 10,276,914	\$ 10,276,914	0.0%	\$ 35,790,007	28.71%
	6/30/15	9/1/2014	-	9,510,433	9,510,433	0.0%	34,413,468	27.64%
	6/30/14	9/1/2012	-	13,636,321	13,636,321	0.0%	33,861,671	40.27%
PEBP	6/30/16	9/1/2014	\$ -	\$ 12,291,445	\$ 12,291,445	0.0%	\$ -	0.0%
	6/30/15	9/1/2014	-	12,664,869	12,664,869	0.0%	-	0.0%
	6/30/14	9/1/2012	-	15,246,158	15,246,158	0.0%	-	0.0%

DOUGLAS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
DETERMINED AS OF THE PLAN YEAR ENDED JUNE 30, 2015

District's proportion of the Net Pension Liability	0.609%
District's proportionate share of the Net Pension Liability	\$ 69,799,991
District's covered employee payroll	\$ 35,561,565
District's proportionate share of the Net Pension Liability as a percentage of its covered payroll	196.28%
Plan fiduciary net position as a percentage of the Total Pension Liability	75.10%

DOUGLAS COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2016

Statutorily required contribution	\$ 8,912,739
Contributions in relation to the statutorily required contribution	<u>\$ 8,912,739</u>
Contribution deficiency (excess)	<u>-</u>
District's covered employee payroll	\$ 35,561,565
Contributions as a percentage of covered employee payroll	25.06%

DOUGLAS COUNTY SCHOOL DISTRICT

DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Ad valorem taxes	\$ 2,594,432	\$ 2,594,432	\$ 2,622,465	\$ 28,033	\$ 2,558,346
Earnings on investments	1,000	-	-	-	28
Other	1,000	-	-	-	-
Total Local Sources	2,596,432	2,594,432	2,622,465	28,033	2,558,374
Federal Sources:					
In lieu of tax	-	275	-	(275)	275
Bond interest subsidy	367,536	340,706	341,625	919	353,719
Total Federal sources	367,536	340,981	341,625	644	353,994
Total Revenues	2,963,968	2,935,413	2,964,090	28,677	2,912,368
EXPENDITURES					
Debt Service:					
Principal	1,115,000	1,115,000	1,115,000	-	1,185,000
Interest	1,705,089	1,705,089	1,705,089	-	1,603,603
Fiscal agent charges	5,000	6,000	5,550	450	5,800
Total Expenditures	2,825,089	2,826,089	2,825,639	450	2,794,403
Revenues Over (Under)					
Expenditures	138,879	109,324	138,451	29,127	117,965
OTHER FINANCING (USES)					
Transfer to other funds	(1,500,000)	(1,500,000)	(1,300,000)	(200,000)	-
Net Change in Fund Balance	(1,361,121)	(1,390,676)	(1,161,549)	229,127	117,965
FUND BALANCE, July 1	4,774,405	4,750,318	4,750,318	-	4,632,353
FUND BALANCE, June 30	\$ 3,413,284	\$ 3,359,642	\$ 3,588,769	\$ 229,127	\$ 4,750,318

DOUGLAS COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Governmental services tax	\$ 1,072,894	\$ 1,072,894	\$ 1,163,782	\$ 90,888	\$ 1,073,895
Residential bldg permit tax	226,600	226,600	230,274	3,674	223,344
Earnings on investments	4,000	4,000	17,814	13,814	6,484
Total Revenues	1,303,494	1,303,494	1,411,870	108,376	1,303,723
EXPENDITURES					
Other Support:					
Purchased services	-	-	1,907	(1,907)	1,078
Supplies	485,665	516,165	347,210	168,955	320,733
Property	-	81,500	92,711	(11,211)	24,867
Other	-	-	1,286	(1,286)	-
	485,665	597,665	443,114	155,837	346,678
Building Improvements:					
Purchased services	5,518,409	1,053,228	792,476	260,752	1,016,755
Other	-	-	6,137	(6,137)	6,025
	5,518,409	1,053,228	798,613	254,615	1,022,780
Site Improvements:					
Purchased services	-	25,000	2,181	22,819	-
Total Expenditures	6,004,074	1,675,893	1,243,908	433,271	1,369,458
Revenues Over (Under) Expenditures	(4,700,580)	(372,399)	167,962	541,647	(65,735)
OTHER FINANCING SOURCES					
Transfer from other funds	1,500,000	1,500,000	1,300,000	(200,000)	-
Net Change in Fund Balance	(3,200,580)	1,127,601	1,467,962	341,647	(65,735)
FUND BALANCE, July 1	3,549,127	3,784,552	3,784,552	-	3,850,287
FUND BALANCE, June 30	\$ 348,547	\$ 4,912,153	\$ 5,252,514	\$ 341,647	\$ 3,784,552

DOUGLAS COUNTY SCHOOL DISTRICT

BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Earnings on investments	\$ 14,000	\$ 14,000	\$ 11,093	\$ (2,907)	\$ 14,363
EXPENDITURES					
Other Support:					
Salaries	-	15,701	16,329	(628)	38,669
Benefits	-	5,987	6,180	(193)	36,118
Purchased services	70,000	56,000	57,970	(1,970)	168,429
Supplies	-	210,000	342,310	(132,310)	163,673
Property	-	-	-	-	19,581
Other	-	-	-	-	167
	70,000	287,688	422,789	(135,101)	426,637
Facilities Acquisition/Improvement:					
Land Improvement:					
Purchased services	-	-	25,316	(25,316)	211,422
Building Construction:					
Purchased services	-	-	420,459	(420,459)	4,948,285
Site Improvement:					
Purchased services	80,000	165,000	1,258,723	(1,093,723)	1,013,797
Supplies	-	-	6,678	(6,678)	2,150
Property	-	-	18,250	(18,250)	-
	80,000	165,000	1,283,651	(1,118,651)	1,015,947
Building Improvement:					
Purchased services	4,839,969	2,748,350	537,202	2,211,148	9,264,216
Supplies	-	-	-	-	5,373
	4,839,969	2,748,350	537,202	2,211,148	9,269,589
Total Facilities Acquisition/ Improvement	4,919,969	2,913,350	2,266,628	646,722	15,445,243

Continued on next page.

DOUGLAS COUNTY SCHOOL DISTRICT

BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Total Expenditures	\$ 4,989,969	\$ 3,201,038	\$ 2,689,417	\$ 511,621	\$ 15,871,880
Revenues Over (Under) Expenditures	(4,975,969)	(3,187,038)	(2,678,324)	508,714	(15,857,517)
OTHER FINANCING SOURCES					
Proceeds from bonds	-	-	-	-	5,000,000
Bond premiums	-	-	-	-	77,202
	-	-	-	-	5,077,202
Net Change in Fund Balance	(4,975,969)	(3,187,038)	(2,678,324)	508,714	(10,780,315)
FUND BALANCE, July 1	6,010,090	4,455,386	4,455,386	-	15,235,701
FUND BALANCE, June 30	\$ 1,034,121	\$ 1,268,348	\$ 1,777,062	\$ 508,714	\$ 4,455,386

DOUGLAS COUNTY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE	CLASS SIZE REDUCTION	FEDERAL AND STATE GRANTS	TOTALS	BUILDING AND SITES	2016	2015
ASSETS							
Cash and investments	\$ 412,453	\$ 72,644	\$ -	\$ 485,097	\$ 80,080	\$ 565,177	\$ 799,438
Receivables	103,371	16,776	1,709,399	1,829,546	73	1,829,619	2,401,959
Inventories	56,726	-	-	56,726	-	56,726	60,592
Total Assets	<u>\$ 572,550</u>	<u>\$ 89,420</u>	<u>\$ 1,709,399</u>	<u>\$ 2,371,369</u>	<u>\$ 80,153</u>	<u>\$ 2,451,522</u>	<u>\$ 3,261,989</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 98,857	\$ 88,114	\$ 817,636	\$ 1,004,607	\$ -	\$ 1,004,607	\$ 1,398,083
Due to other funds	-	-	578,058	578,058	-	578,058	910,435
Unearned revenues	-	-	313,705	313,705	-	313,705	416,553
Total Liabilities	<u>98,857</u>	<u>88,114</u>	<u>1,709,399</u>	<u>1,896,370</u>	<u>-</u>	<u>1,896,370</u>	<u>2,725,071</u>
FUND BALANCES							
Nonspendable	56,726	-	-	56,726	-	56,726	60,592
Restricted	416,967	-	-	416,967	80,153	497,120	476,326
Assigned	-	1,306	-	1,306	-	1,306	-
Total Fund Balances	<u>473,693</u>	<u>1,306</u>	<u>-</u>	<u>474,999</u>	<u>80,153</u>	<u>555,152</u>	<u>536,918</u>
Total Liabilities and Fund Balances	<u>\$ 572,550</u>	<u>\$ 89,420</u>	<u>\$ 1,709,399</u>	<u>\$ 2,371,369</u>	<u>\$ 80,153</u>	<u>\$ 2,451,522</u>	<u>\$ 3,261,989</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	SPECIAL REVENUE FUNDS				CAPITAL PROJECTS BUILDING AND SITES	TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE	CLASS SIZE REDUCTION	FEDERAL AND STATE GRANTS	TOTALS		2016	2015
REVENUES							
Local sources	\$ 571,588	\$ 1,142	\$ 297,071	\$ 869,801	\$ 2,809	\$ 872,610	\$ 950,582
State sources	4,764	1,630,661	2,485,538	4,120,963	-	4,120,963	3,436,276
Federal sources	1,092,837	-	3,264,368	4,357,205	-	4,357,205	4,955,387
Total Revenues	1,669,189	1,631,803	6,046,977	9,347,969	2,809	9,350,778	9,342,245
EXPENDITURES							
Regular programs	-	1,636,939	3,402,890	5,039,829	-	5,039,829	5,486,112
Special programs	-	-	1,064,763	1,064,763	-	1,064,763	1,060,339
Vocational programs	-	-	810,155	810,155	-	810,155	162,122
Adult education	-	-	119,500	119,500	-	119,500	148,785
Other instructional programs	-	-	267,249	267,249	-	267,249	579,813
Undistributed Expenditures:							
Student support	-	-	80,461	80,461	-	80,461	75,609
Instructional staff support	-	-	130,252	130,252	-	130,252	26,613
General administration	-	-	-	-	-	-	3,962
School administration	-	-	19,253	19,253	-	19,253	76,028
Central services	-	-	15,340	15,340	-	15,340	-
Student transportation	-	-	-	-	-	-	11,454
Other support	-	-	26,278	26,278	-	26,278	58,153
Food service	1,644,762	-	-	1,644,762	-	1,644,762	1,658,500
Facilities acquisition/constructor	-	-	100,961	100,961	-	100,961	62,701
Community service	-	-	9,875	9,875	-	9,875	13,488

Continued on next page.

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS BUILDING AND SITES	TOTAL NONMAJOR GOVERNMENTAL FUNDS		
	FOOD SERVICE	CLASS SIZE REDUCTION	FEDERAL AND STATE GRANTS		TOTALS	2016	2015
Total Expenditures	\$ 1,644,762	\$ 1,636,939	\$ 6,046,977	\$ 9,328,678	\$ -	\$ 9,328,678	\$ 9,423,679
Net Change in Fund Balances	24,427	(5,136)	-	19,291	2,809	22,100	(81,434)
FUND BALANCES, July 1	453,132	6,442	-	459,574	77,344	536,918	634,357
Increase (decrease) in reserve for inventories	(3,866)	-	-	(3,866)	-	(3,866)	(16,005)
FUND BALANCES, June 30	<u>\$ 473,693</u>	<u>\$ 1,306</u>	<u>\$ -</u>	<u>\$ 474,999</u>	<u>\$ 80,153</u>	<u>\$ 555,152</u>	<u>\$ 536,918</u>

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, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Grants from:					
Local sources	\$ 808,486	\$ 720,126	\$ 297,071	\$ (423,055)	\$ 384,223
State sources	881,155	3,040,800	2,485,538	(555,262)	857,236
Federal sources	4,008,375	4,099,080	3,264,368	(834,712)	3,883,577
Total Revenues	5,698,016	7,860,006	6,046,977	(1,813,029)	5,125,036
EXPENDITURES					
Regular Programs:					
Salaries	1,993,690	2,227,647	2,112,068	115,579	1,705,586
Benefits	674,055	842,485	810,527	31,958	618,364
Purchased services	68,054	89,476	71,491	17,985	34,299
Supplies	527,088	822,998	342,694	480,304	482,660
Other	75,772	70,402	66,110	4,292	64,998
Total Regular Programs	3,338,659	4,053,008	3,402,890	650,118	2,905,907
Special Programs:					
Salaries	660,951	666,953	591,915	75,038	597,194
Benefits	289,725	311,399	268,591	42,808	266,700
Purchased services	217,000	217,776	121,440	96,336	128,747
Supplies	90,249	167,952	53,068	114,884	35,209
Other	38,088	39,498	29,749	9,749	32,489
Total Special Programs	1,296,013	1,403,578	1,064,763	338,815	1,060,339
Vocational Programs:					
Salaries	57,957	77,039	71,518	5,521	58,070
Benefits	21,148	27,567	22,342	5,225	21,035
Purchased services	20,800	99,979	81,664	18,315	17,873
Supplies	50,459	450,818	431,019	19,799	45,155
Property	10,399	181,842	178,752	3,090	10,399
Other	9,847	26,907	24,860	2,047	9,590
Total Vocational Programs	170,610	864,152	810,155	53,997	162,122

Continued on next page.

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, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Adult Education:					
Salaries	\$ 111,310	\$ 82,000	\$ 81,472	\$ 528	\$ 66,273
Benefits	33,594	35,593	27,690	7,903	26,073
Purchased services	5,500	6,600	4,379	2,221	2,571
Supplies	23,820	29,140	5,959	23,181	53,868
Total Adult Education	174,224	153,333	119,500	33,833	148,785
Other Instructional Programs:					
Salaries	100,323	147,029	79,167	67,862	100,226
Benefits	30,439	44,458	17,908	26,550	30,536
Purchased services	-	208,532	74,807	133,725	369,296
Supplies	87,479	72,589	91,381	(18,792)	71,772
Other	597	6,505	3,986	2,519	7,983
Total Other Instructional	218,838	479,113	267,249	211,864	579,813
Community Service Programs:					
Salaries	2,484	2,679	396	2,283	1,625
Benefits	148	164	66	98	78
Purchased services	1,000	10,000	-	10,000	-
Supplies	13,105	13,000	9,413	3,587	11,785
	16,737	25,843	9,875	15,968	13,488
Undistributed Expenditures:					
Student Support:					
Salaries	51,904	103,923	58,811	45,112	54,945
Benefits	15,659	37,638	15,659	21,979	15,659
Purchased services	4,000	-	-	-	4,618
Supplies	1,006	7,802	5,991	1,811	387
	72,569	149,363	80,461	68,902	75,609

Continued on next page.

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, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Instructional Staff Support:					
Salaries	\$ 4,360	\$ 32,376	\$ 10,180	\$ 22,196	\$ 4,306
Benefits	361	1,715	764	951	278
Purchased services	2,366	376,625	99,548	277,077	4,380
Supplies	13,391	30,801	16,927	13,874	17,361
Other	158	4,262	2,833	1,429	288
	<u>20,636</u>	<u>445,779</u>	<u>130,252</u>	<u>315,527</u>	<u>26,613</u>
General Administration:					
Salaries	20,000	20,000	-	20,000	-
Purchased services	4,500	-	-	-	-
Supplies	1,500	-	-	-	3,962
	<u>26,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>3,962</u>
School Administration:					
Salaries	49,921	2,341	12,543	(10,202)	45,872
Benefits	17,208	708	4,472	(3,764)	17,593
Purchased services	35,407	-	-	-	11,396
Other	3,302	-	2,238	(2,238)	1,167
	<u>105,838</u>	<u>3,049</u>	<u>19,253</u>	<u>(16,204)</u>	<u>76,028</u>
Central Services:					
Purchased services	-	15,340	15,340	-	-
Student Transportation:					
Purchased services	-	-	-	-	11,454
Other Support:					
Salaries	14,080	11,003	8,106	2,897	16,107
Benefits	-	-	2,896	(2,896)	-
Purchased services	26,500	56,500	9,728	46,772	5,629
Supplies	42,004	57,699	2,231	55,468	36,417
Property	3,030	3,030	3,030	-	-
Other	-	500	287	213	-
	<u>85,614</u>	<u>128,732</u>	<u>26,278</u>	<u>102,454</u>	<u>58,153</u>

Continued on next page.

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, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Land Improvement:					
Purchased services	\$ 8,278	\$ 8,279	\$ -	\$ 8,279	\$ -
Building Improvements:					
Purchased services	60,000	101,000	100,961	39	62,701
Supplies	104,000	9,437	-	9,437	-
	<u>164,000</u>	<u>110,437</u>	<u>100,961</u>	<u>9,476</u>	<u>62,701</u>
Total Undistributed Expenditures	<u>482,935</u>	<u>880,979</u>	<u>372,545</u>	<u>508,434</u>	<u>314,520</u>
Total Expenditures	<u>5,698,016</u>	<u>7,860,006</u>	<u>6,046,977</u>	<u>1,813,029</u>	<u>5,184,974</u>
Net Change in Fund Balance	-	-	-	-	(59,938)
FUND BALANCE, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,938</u>
FUND BALANCE, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016	2015	
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Earnings on investments	\$ 600	\$ 400	\$ 1,483	\$ 1,083	\$ 484
Daily sales	570,000	560,000	570,105	10,105	561,019
Total Local Sources	570,600	560,400	571,588	11,188	561,503
State Sources - Grants	5,100	5,100	4,764	(336)	5,091
Federal Sources - Grants	980,000	1,070,000	1,092,837	22,837	1,071,810
Total Revenues	1,555,700	1,635,500	1,669,189	33,689	1,638,404
EXPENDITURES					
Salaries	695,729	739,756	662,140	77,616	652,198
Benefits	265,721	282,193	269,390	12,803	261,635
Purchased services	9,300	11,650	5,786	5,864	2,618
Supplies	850,000	847,650	704,931	142,719	737,584
Other	1,950	1,950	2,515	(565)	4,465
Total Food Service	1,822,700	1,883,199	1,644,762	238,437	1,658,500
Contingency	-	25,000	-	25,000	-
Total Expenditures	1,822,700	1,908,199	1,644,762	263,437	1,658,500
Net Change in Fund Balance	(267,000)	(272,699)	24,427	297,126	(20,096)
FUND BALANCE, July 1	368,164	453,132	453,132	-	489,233
Increase (decrease) in reserve for inventories	-	-	(3,866)	(3,866)	(16,005)
FUND BALANCE, June 30	\$ 101,164	\$ 180,433	\$ 473,693	\$ 293,260	\$ 453,132

DOUGLAS COUNTY SCHOOL DISTRICT

CLASS SIZE REDUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Earnings on investments	\$ 400	\$ 400	\$ 1,142	\$ 742	\$ 592
State Sources:					
Special appropriations	2,611,446	1,670,287	1,630,661	(39,626)	2,573,949
Total Revenues	2,611,846	1,670,687	1,631,803	(38,884)	2,574,541
EXPENDITURES					
Regular Programs:					
Salaries	1,795,475	1,156,627	1,119,522	37,105	1,812,936
Benefits	791,022	517,722	517,417	305	767,269
Total Expenditures	2,586,497	1,674,349	1,636,939	37,410	2,580,205
Net Change in Fund Balance	25,349	(3,662)	(5,136)	(1,474)	(5,664)
FUND BALANCE, July 1	1,384	6,442	6,442	-	12,106
FUND BALANCE, June 30	\$ 26,733	\$ 2,780	\$ 1,306	\$ (1,474)	\$ 6,442

DOUGLAS COUNTY SCHOOL DISTRICT

BUILDING AND SITES FUND
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2016
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local Sources:					
Earnings on investments	\$ 379	\$ 379	\$ 323	\$ (56)	\$ 117
Other	1,200	1,200	2,486	1,286	4,147
Total Revenues	1,579	1,579	2,809	1,230	4,264
EXPENDITURES					
Site Improvement:					
Purchased services	76,000	-	-	-	-
Building Improvement:					
Purchased services	-	78,000	-	78,000	-
Total Expenditures	76,000	78,000	-	78,000	-
Net Change in Fund Balance	(74,421)	(76,421)	2,809	76,770	4,264
FUND BALANCE, July 1	74,651	77,344	77,344	-	73,080
FUND BALANCE, June 30	\$ 230	\$ 923	\$ 80,153	\$ 76,770	\$ 77,344

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
 COMBINING STATEMENT OF FUND NET POSITION
 JUNE 30, 2016
 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	<u>SELF- INSURANCE HEALTH FUND</u>	<u>WORKERS' COMP SELF INSURANCE FUND</u>	<u>TOTALS</u> <u>GOVERNMENTAL ACTIVITIES</u> <u>INTERNAL SERVICE FUNDS</u>	
			<u>2016</u>	<u>2015</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 3,473,512	\$ 1,269,770	\$ 4,743,282	\$ 5,903,477
Receivables	155,001	3,440	158,441	81,538
Due from other funds	1,125,529	52,168	1,177,697	569,368
Total Assets	<u>4,754,042</u>	<u>1,325,378</u>	<u>6,079,420</u>	<u>6,554,383</u>
 LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	-	51,308	51,308	30,273
Unearned revenue	611,674	-	611,674	613,918
Pending claims	815,585	418,000	1,233,585	1,242,591
Total Current Liabilities	<u>1,427,259</u>	<u>469,308</u>	<u>1,896,567</u>	<u>1,886,782</u>
 NET POSITION				
Restricted	<u>\$ 3,326,783</u>	<u>\$ 856,070</u>	<u>\$ 4,182,853</u>	<u>\$ 4,667,601</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS
COMBINING STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	SELF - INSURANCE HEALTH FUND	WORKERS' COMP SELF INSURANCE FUND	TOTALS	
			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2016	2015
OPERATING REVENUES				
Insurance premiums	\$ 6,668,156	\$ 296,981	\$ 6,965,137	\$ 6,804,233
Insurance proceeds	425,993	-	425,993	33,717
Other	-	13,178	13,178	14,636
Total Operating Revenues	7,094,149	310,159	7,404,308	6,852,586
OPERATING EXPENSES				
Claims expense	6,787,719	197,296	6,985,015	6,283,471
Purchased services	767,842	105,021	872,863	885,284
Other	52,645	-	52,645	-
Total Operating Expenses	7,608,206	302,317	7,910,523	7,168,755
Operating Income (Loss)	(514,057)	7,842	(506,215)	(316,169)
NONOPERATING REVENUES				
Earnings on investments	16,385	5,082	21,467	9,070
Change in Net Position	(497,672)	12,924	(484,748)	(307,099)
NET POSITION, July 1	3,824,455	843,146	4,667,601	4,974,700
NET POSITION, June 30	\$ 3,326,783	\$ 856,070	\$ 4,182,853	\$ 4,667,601

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

PROPRIETARY FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	SELF -	WORKERS'	TOTALS	
	INSURANCE	COMP SELF	GOVERNMENTAL ACTIVITIES	
	HEALTH FUND	FUND	INTERNAL SERVICE FUNDS	
			2016	2015
CASH FROM OPERATING ACTIVITIES				
Cash received from insurance premiums	\$ 5,988,954	\$ 268,174	\$ 6,257,128	\$ 6,816,711
Cash received from insurance and other	446,898	13,178	460,076	48,353
Cash paid for claims	(6,797,725)	(196,296)	(6,994,021)	(6,499,429)
Cash paid for services and supplies	(820,487)	(83,987)	(904,474)	(968,962)
Net cash provided (used) by operating activities	(1,182,360)	1,069	(1,181,291)	(603,327)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	16,385	4,711	21,096	9,070
Net Increase in Cash and Investments	(1,165,975)	5,780	(1,160,195)	(594,257)
CASH AND INVESTMENTS, July 1	4,639,487	1,263,990	5,903,477	6,497,734
CASH AND INVESTMENTS, June 30	\$ 3,473,512	\$ 1,269,770	\$ 4,743,282	\$ 5,903,477
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS				
Operating income (loss)	\$ (514,057)	\$ 7,842	\$ (506,215)	\$ (316,169)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Change in assets and liabilities:				
Receivables	20,906	(2,850)	18,056	2,907
Premiums due from other funds	(676,959)	(25,958)	(702,917)	(62,071)
Accounts payable and accrued expenses	-	21,035	21,035	(83,678)
Unearned revenue	(2,244)	-	(2,244)	71,788
Pending claims	(10,006)	1,000	(9,006)	(216,104)
Total Adjustments	(668,303)	(6,773)	(675,076)	(287,158)
Net cash provided (used) by operating activities	\$ (1,182,360)	\$ 1,069	\$ (1,181,291)	\$ (603,327)

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SELF-INSURANCE HEALTH FUND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016	VARIANCE TO	2015
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ 5,779,868	\$ 6,165,060	\$ 6,668,156	\$ 503,096	\$ 6,537,778
Insurance proceeds	-	350,000	425,993	75,993	14,800
Other	-	-	-	-	14,636
Total Operating Revenues	5,779,868	6,515,060	7,094,149	579,089	6,567,214
OPERATING EXPENSES					
Claims expense	6,280,705	6,383,198	6,787,719	(404,521)	6,311,875
Purchased services	875,614	724,694	767,842	(43,148)	796,511
Other	-	65,030	52,645	12,385	-
Total Operating Expenses	7,156,319	7,172,922	7,608,206	(435,284)	7,108,386
Operating Income (Loss)	(1,376,451)	(657,862)	(514,057)	143,805	(541,172)
NONOPERATING REVENUES					
Earnings on investments	4,000	15,000	16,385	1,385	7,002
Change in Net Position	(1,372,451)	(642,862)	(497,672)	145,190	(534,170)
NET POSITION, July 1	4,002,769	3,824,455	3,824,455	-	4,358,625
NET POSITION, June 30	\$ 2,630,318	\$ 3,181,593	\$ 3,326,783	\$ 145,190	\$ 3,824,455

DOUGLAS COUNTY SCHOOL DISTRICT

SELF-INSURANCE HEALTH FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016	2015	
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$ 5,779,868	\$ 6,515,060	\$ 5,988,954	\$ (526,106)	\$ 6,544,482
Cash received from insurance and other	-	-	446,898	446,898	29,436
Cash paid for claims	(6,280,705)	(6,383,198)	(6,797,725)	(414,527)	(6,143,979)
Cash paid for services and supplies	(875,614)	(789,724)	(820,487)	(30,763)	(856,758)
Net cash (used) by operating activities	(1,376,451)	(657,862)	(1,182,360)	(524,498)	(426,819)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	4,000	15,000	16,385	1,385	7,002
Net (Decrease) in Cash	(1,372,451)	(642,862)	(1,165,975)	(523,113)	(419,817)
CASH AND INVESTMENTS, July 1	<u>4,703,448</u>	<u>4,639,487</u>	<u>4,639,487</u>	<u>-</u>	<u>5,059,304</u>
CASH AND INVESTMENTS, June 30	<u>\$ 3,330,997</u>	<u>\$ 3,996,625</u>	<u>\$ 3,473,512</u>	<u>\$ (523,113)</u>	<u>\$ 4,639,487</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATIONS					
Operating (loss)	\$ (1,376,451)	\$ (657,862)	\$ (514,057)	\$ 143,805	\$ (541,172)
Adjustments to reconcile operating (loss) to net cash (used) by operations:					
Change in assets and liabilities:					
Receivables	-	-	20,906	20,906	(9,214)
Premiums due from other funds	-	-	(676,959)	(676,959)	(55,870)
Accounts payable and accrued exp.	-	-	-	-	(60,247)
Deferred revenues	-	-	(2,244)	(2,244)	71,788
Pending claims	-	-	(10,006)	(10,006)	167,896
Total Adjustments	-	-	(668,303)	(668,303)	114,353
Net cash provided (used) by operations	<u>\$ (1,376,451)</u>	<u>\$ (657,862)</u>	<u>\$ (1,182,360)</u>	<u>\$ (524,498)</u>	<u>\$ (426,819)</u>

DOUGLAS COUNTY SCHOOL DISTRICT

WORKERS' COMPENSATION SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016		2015
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ 250,000	\$ 270,000	\$ 296,981	\$ 26,981	\$ 266,455
Other	15,000	15,000	13,178	(1,822)	18,917
Total Operating Revenues	265,000	285,000	310,159	25,159	285,372
OPERATING EXPENSES					
Claims expense	300,000	-	197,296	(197,296)	(28,404)
Purchased services	85,000	480,000	105,021	374,979	88,773
Total Operating Expenses	385,000	480,000	302,317	177,683	60,369
Operating Income (Loss)	(120,000)	(195,000)	7,842	202,842	225,003
NONOPERATING REVENUES					
Earnings on investments	1,600	2,000	5,082	3,082	2,068
Change in Net Position	(118,400)	(193,000)	12,924	205,924	227,071
NET POSITION, July 1	553,075	843,146	843,146	-	616,075
NET POSITION, June 30	\$ 434,675	\$ 650,146	\$ 856,070	\$ 205,924	\$ 843,146

DOUGLAS COUNTY SCHOOL DISTRICT

WORKERS' COMPENSATION SELF-INSURANCE FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015)

	2016 BUDGET		2016	2015	
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$ 250,000	\$ 270,000	\$ 268,174	\$ (1,826)	\$ 272,229
Cash received from other sources	15,000	15,000	13,178	(1,822)	18,917
Cash paid for claims	(300,000)	-	(196,296)	(196,296)	(355,450)
Cash paid for services and supplies	(85,000)	(480,000)	(83,987)	396,013	(112,204)
Net cash provided (used) by operating activities	(120,000)	(195,000)	1,069	196,069	(176,508)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	1,600	2,000	4,711	2,711	2,068
Net Increase (Decrease) in Cash	(118,400)	(193,000)	5,780	198,780	(174,440)
CASH AND INVESTMENTS, July 1	<u>1,375,430</u>	<u>1,263,990</u>	<u>1,263,990</u>	<u>-</u>	<u>1,438,430</u>
CASH AND INVESTMENTS, June 30	<u>\$ 1,257,030</u>	<u>\$ 1,070,990</u>	<u>\$ 1,269,770</u>	<u>\$ 198,780</u>	<u>\$ 1,263,990</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS					
Operating income (loss)	\$ (120,000)	\$ (195,000)	\$ 7,842	\$ 202,842	\$ (462,759)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:					
Change in assets and liabilities:					
Receivables	-	-	(2,850)	(2,850)	(11,842)
Premiums due from other funds	-	-	(25,958)	(25,958)	(4,394)
Accounts payable and accrued exp.	-	-	21,035	21,035	36,967
Pending claims	-	-	1,000	1,000	373,000
Total Adjustments	-	-	(6,773)	(6,773)	393,731
Net cash provided (used) by operations	<u>\$ (120,000)</u>	<u>\$ (195,000)</u>	<u>\$ 1,069</u>	<u>\$ 196,069</u>	<u>\$ (69,028)</u>

DOUGLAS COUNTY SCHOOL DISTRICT

STUDENT ACTIVITY AGENCY FUNDS SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - BY SCHOOL YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>RECEIPTS</u>	<u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
Student Activity Funds				
Douglas High School	\$ 266,632	\$ 1,074,722	\$ 987,423	\$ 353,931
George Whittell High School	73,514	175,665	178,016	71,163
ASPIRE Academy High School	12,892	24,518	13,358	24,052
Carson Valley Middle School	86,309	135,156	114,664	106,801
Pau-Wa-Lu Middle School	18,785	172,645	158,159	33,271
Scarselli Elementary School	49,683	52,139	65,838	35,984
Minden Elementary School	42,454	77,604	75,131	44,927
Piñon Hills Elementary School	40,385	123,630	117,977	46,038
Jacks Valley Elementary School	33,790	85,774	78,643	40,921
C.C. Meneley Elementary School	34,126	74,596	72,790	35,932
Gardnerville Elementary School	29,070	38,249	35,163	32,156
Zephyr Cove Elementary School	1,771	13,443	12,939	2,275
	<u>\$ 689,411</u>	<u>\$ 2,048,141</u>	<u>\$ 1,910,101</u>	<u>\$ 827,451</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 of the
Douglas County School District
Minden, Nevada

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major funds of the Douglas County School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rife Silva & Co, LLC

Reno, Nevada
October 25, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Douglas County School District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rije Silva & Co, LLC

Reno, Nevada

October 25, 2016

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

(Page 1 of 2)

FEDERAL GRANTOR / PASS-THROUGH GRANTOR AND 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	16-639-03	\$ 928,491
Special Education - District Improvement Grant	84.027	16-641-03	8,631
Special Education - District Assistance Grant	84.027	16-667-03	79,050
Special Education - Preschool Grants (IDEA, Preschool)	84.173	16-665-03	57,222
Total Special Education Cluster			<u>1,073,394</u>
Title I, Part A - Grants to Local Educational Agencies	84.010	16-633-03	558,318
Title I, Part C - Migrant Education	84.011A	16-629-03	3,049
Title I, Part D - Improving America's Youth	84.010	16-650-03	61,015
Carl D. Perkins Basic Grant	84.048	16-631-03	57,069
School Climate Transformation Grant	84.184F	16-682-03	14,507
Education for Homeless Children and Youth	84.196A	16-688-03	55,912
Title III, Part A - English Language Acquisition	84.365A	16-658-03	85,197
Title III, Part B - Immigrant	84.365A	16-659-03	12,800
Title II, Part A - CSR Initiative	84.367	16-709-03	178,685
Title I, Part E - Striving Readers Comprehensive Literacy	84.371	16-657-03	<u>1,164,422</u>
Total U.S. Department of Education			<u><u>3,264,368</u></u>

Continued on next page.

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

(Page 2 of 2)

FEDERAL GRANTOR / PASS-THROUGH GRANTOR AND 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 Agriculture:</i>			
School Breakfast Program	10.553	N/A	\$ 171,699
National School Lunch Program	10.555	N/A	795,610
National School Lunch Program - Commodities	10.555	N/A	76,423
Total Child Nutrition Cluster			<u>1,043,732</u>
<i>Passed through the State of Nevada Department of Agriculture:</i>			
Fresh Fruit and Vegetables Program	10.582	N/A	<u>49,105</u>
Total U.S. Department of Agriculture			<u>1,092,837</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,357,205</u></u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2016

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, 2016. 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, 2016.

DOUGLAS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
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:	Unmodified
Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)	No

Major Programs

The major programs for the year ended June 30, 2016 were:

Title I, Part A – Grants to Local Education Agencies (CFDA: 84.010)
Child Nutrition Cluster (CFDA: 10.553 and 10.555)

The threshold for distinguishing Types A and B programs was \$750,000.

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

DOUGLAS COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITORS' COMMENTS

JUNE 30, 2016

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.

PRIOR YEAR STATUTE VIOLATIONS

The over-expenditures noted for the year ended June 30, 2015 did not appear to be violations of NRS 354.626(1).

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.