

**DOUGLAS COUNTY
SCHOOL DISTRICT**

JUNE 30, 2008

DOUGLAS COUNTY SCHOOL DISTRICT
JUNE 30, 2008

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Certified Public Accountants
Business Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County School District, Minden, Nevada (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's 2007 financial statements and, in our report dated November 29, 2007, we expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County School District as of June 30, 2008, and the respective changes in financial position and, cash flows, where applicable, thereof; and the respective budgetary comparison for the General Fund, Federal and State Grants Fund - Special Revenue Fund, and the Special Education - Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and internal service fund of the Douglas County School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements and the combining and individual fund statements. The schedule of cash receipts and disbursements for the agency fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Solari and Stumm, LLC

November 25, 2008

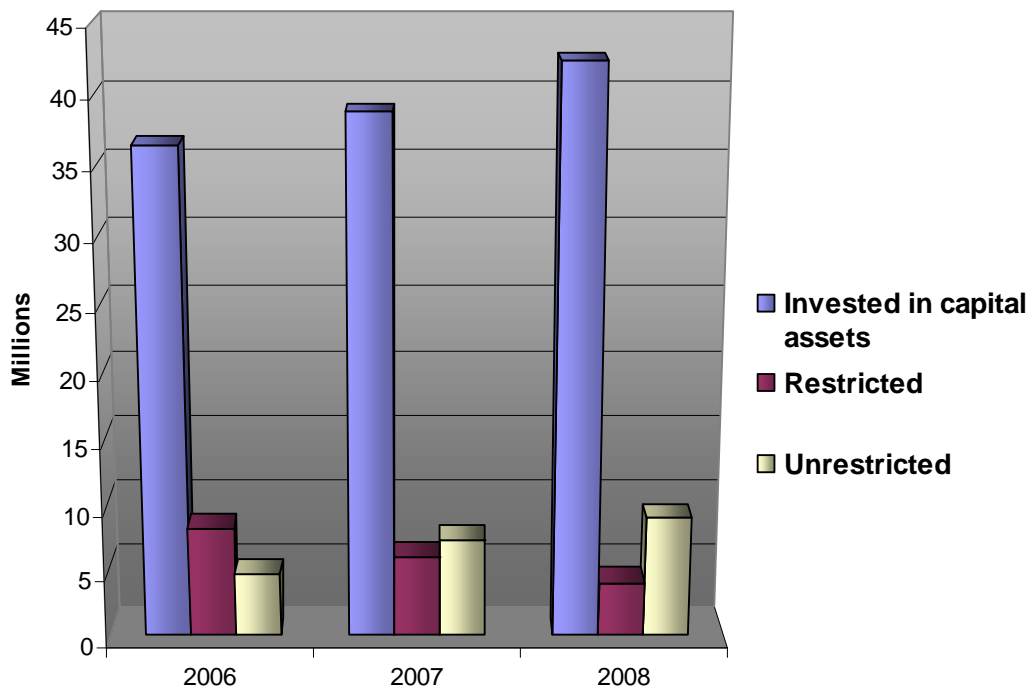
DOUGLAS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

As management of the Douglas County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Douglas County School District for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- Government-wide net assets increased by \$3.2 million to \$55.4 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9.9 million, a decrease of \$1.4 million in comparison with the prior year. Approximately 11% of this total amount, or \$1.1 million, is unreserved and undesignated and is available for spending at the District's discretion.
- The General Fund reported a net increase in fund balance of \$ 875,000. At the end of the current fiscal year, unreserved fund balance for the General Fund was \$728,546, or 1.4% of total general fund expenditures and operating transfers out, a decrease from 2.8% the prior year.
- The District received voter approval to issue additional general obligation bonds to support the funding of capital improvements.

The following provides a graphical representation of net assets by category as of June 30, 2008, 2007, and 2006.



DOUGLAS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

Overview of the Financial Statements

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

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

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

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

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Douglas County School District's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the District's financial status as a whole.

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The government-wide financial statements are on pages 14 through 16 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 government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, 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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

These funds are disclosed separately in the governmental funds Balance Sheet and in the governmental funds 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 reported previously, the District has no business-type activities to be accounted for in enterprise funds.

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

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 36 – 51 of this report.

Government-Wide Financial Analysis

DOUGLAS COUNTY SCHOOL DISTRICT NET ASSETS

	2008	2007
Assets		
Current and other assets	\$ 23,023,099	\$ 22,890,660
Net capital assets	49,327,180	49,082,024
Total Assets	<u>72,350,279</u>	<u>71,972,684</u>
Liabilities		
Current liabilities	14,413,199	13,665,165
Long-term liabilities	2,522,880	6,120,331
Total Liabilities	<u>16,936,079</u>	<u>19,785,496</u>
Net Assets		
Invested in capital assets, net of related debt	42,422,833	38,770,368
Restricted	3,991,998	6,014,642
Unrestricted	8,999,369	7,402,178
Total Net Assets	<u>\$ 55,414,200</u>	<u>\$ 52,187,188</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Douglas County School District exceeded liabilities by \$55,414,200 as of June 30, 2008. The District's net assets increased by \$3,227,012 for the fiscal year ended June 30, 2008. However, the largest portion (77%) reflects the District's investment in capital assets (e.g. land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

DOUGLAS COUNTY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,471,680	\$ 1,478,380
Operating grants and contributions	5,993,561	6,604,793
Capital grants and contributions	190,000	882,850
General revenues:		
Property taxes	21,138,556	19,892,974
Local school support taxes	14,314,428	16,302,559
Government service taxes	4,104,955	4,167,370
Other taxes and fees	357,168	416,078
Unrestricted investment earnings	851,753	1,106,597
State aid not restricted to specific purposes	19,576,323	16,335,476
Other revenues	50,327	13,059
Total revenues	<u>68,048,751</u>	<u>67,200,136</u>
Expenses		
Instruction:		
Regular instruction	27,247,650	27,106,931
Special instruction	7,691,307	7,443,086
Vocational instruction	740,911	807,478
Adult instruction	22,998	58,635
Other instruction	1,789,378	1,741,946
Support services:		
Student support	1,942,137	1,888,798
Instructional staff support	3,043,119	3,095,454
General administration	990,516	893,698
School administration	3,678,466	3,522,164
Business support	711,495	638,836
Operation and maintenance of plant	8,095,836	7,760,236
Student transportation	3,623,985	3,064,445
Other support	1,253,758	1,002,715
Food service	1,983,688	1,617,245
Facilities and acquisitions	1,678,405	3,146,436
Interest on long-term debt	328,090	473,202
Total expenses	<u>64,821,739</u>	<u>64,261,305</u>
Increase in net assets	3,227,012	2,938,831
Net Assets, July 1	<u>52,187,188</u>	<u>49,248,357</u>
Net Assets, June 30	<u>\$ 55,414,200</u>	<u>\$ 52,187,188</u>

Governmental Activities:

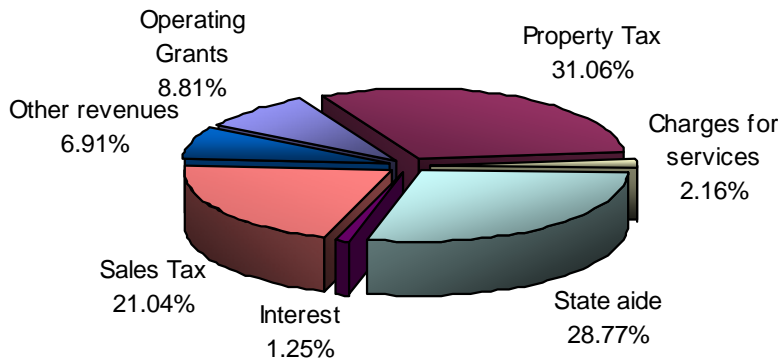
- ◇ The largest and main revenue sources for the District are local school support taxes, property taxes (ad valorem), and state aid. Together, these revenue sources comprise 81% of total revenues.
- ◇ Ad valorem taxes increased 6% from the prior year due to an increase in tax collections and increase in assessed valuations.

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

- ◇ Local school support taxes (LSST) decreased 12% from the prior year due to decreased taxable sales.
- ◇ State aid, as provided in the Nevada Plan (State aid guaranteed funding), increased by approximately 20% over the prior year.

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

REVENUES



FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

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

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

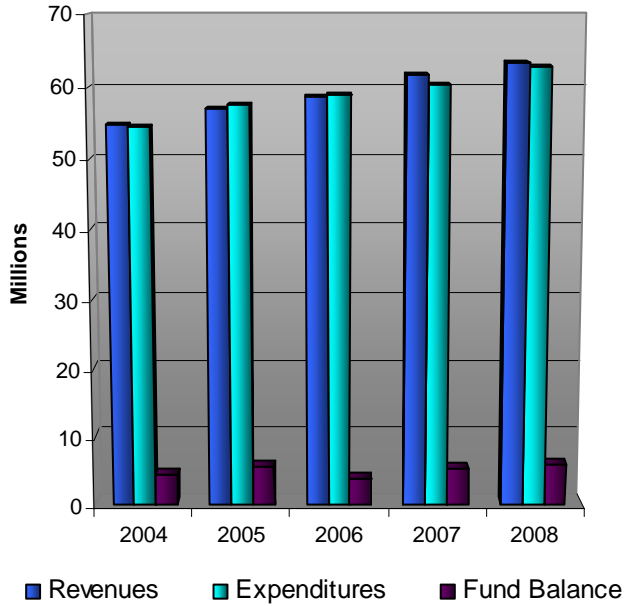
At June 30, 2008, the District's governmental funds reported a combined fund balance of \$9.9 million, a 12% decrease over last year. Of this total, approximately \$8.8 million is either reserved or designated for 2008-09 expenditures. The remaining \$1.1 million, or 11%, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion within the respective fund. Additional detail can be found on pages 17-18 of these statements.

General and Special Revenue Funds:

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

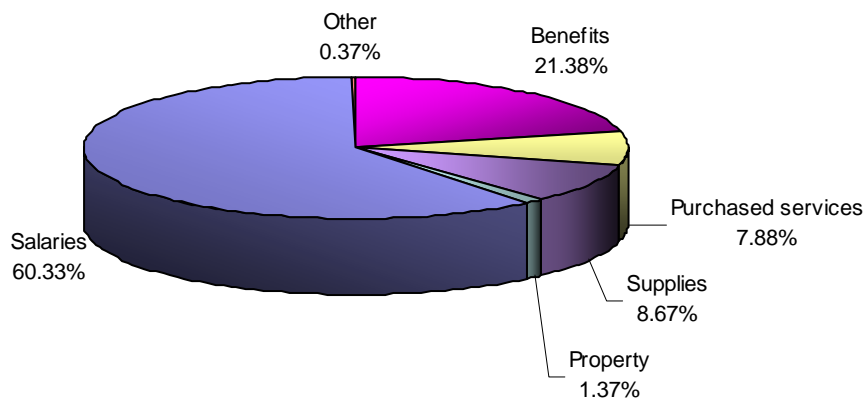
**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

GENERAL AND SPECIAL REVENUE FUNDS



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 its various special revenue funds:

GENERAL AND SPECIAL REVENUE FUNDS



Debt Service Fund:

The amount required to service the 2008-09 debt exceeds the fund balance of Debt Service Fund by approximately \$2.2 million.

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Capital Projects Funds:

The District has two capital projects funds – the Building and Sites Fund and the Capital Projects Fund. These funds are used to accumulate resources for major capital acquisitions and improvements. These funds had a combined ending fund balance at June 30, 2008 of \$2.3 million, all of which is reserved for those projects that were awarded prior to the end of the year, but were not yet completed.

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, 2008, these funds had combined net assets of \$3.8 million, which represents approximately 50% of the funds' 2007-08 expenses.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The District's capital assets as of June 30, 2008 and 2007 are as follows:

	2008	2007
Land	\$ 1,413,439	\$ 1,413,439
Construction in progress	4,257,633	2,549,622
Buildings	34,451,351	33,047,702
Improvements	6,609,620	6,610,131
Equipment	2,595,137	5,461,130
	<u>\$ 49,327,180</u>	<u>\$ 49,082,024</u>

Additional detail can be found on page 46 of these statements.

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Debt Administration:

As of June 30, 2008, the District's debt was comprised of the following:

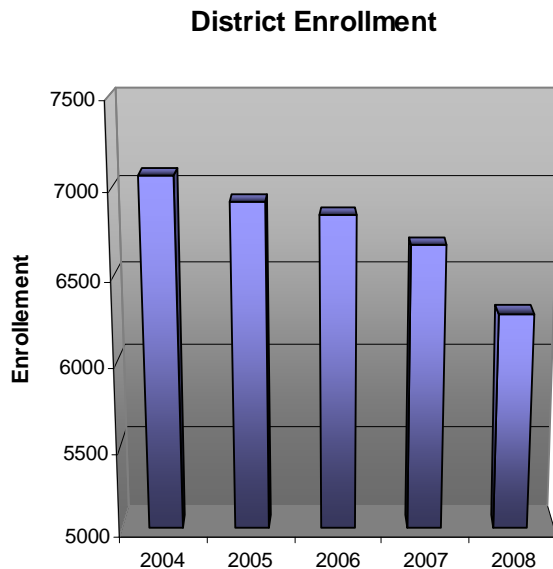
General Obligation Bonds	\$ 5,410,000
Compensated Absences	707,698
Capital Leases	105,573
	\$ 6,223,271

Principal and interest payments on the General Obligation Bonds and capital leases for the 2008-09 fiscal year are scheduled to total \$3,914,274.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Provided below is a chart which depicts the District's decline in student 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 property tax or sales tax (local school support tax) collections. For the 2008-09 school year, the District (as all Nevada's school districts) will receive funding in accordance with the biennial state budget.



Enrollment and Funding

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

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The first concern is a decline in enrollment, and therefore a reduction of DSA revenues. DCSD saw significant enrollment growth, particularly in the Valley based school sites, from 1987 through 1997. However, since 1997, enrollment has fluctuated – some years increasing, some years decreasing. In 2006-07, enrollment declined by 2.7% from the previous year, and enrollment further declined in the 2007-08 school year by 1.4%. The current 2008-09 school year enrollment shows this to be a continuing trend, as enrollment dropped by 3.1%, from the previous year. In total, over the past three years, a trend in declining enrollment has resulted in an overall 6.9% decrease in enrollment, or a reduction of 487 students.

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

The third and greatest concern is the stability of these DSA monies. The State has revised its revenue projections multiple times in the last biennium – each revision resulting in fewer revenues. In turn, these reductions have filtered to the K-12 arena through revisions and reductions in the State Guaranteed Funds or DSA. The District covered FY07-08 reductions of \$422,074 through a diminution in the general fund ending fund balance.

State revenue shortfalls and therefore, budget reductions are expected to continue into the coming biennium. The District has prepared an Amended Budget for the current fiscal year – FY08/09 – in which \$2.7 Million in expenditures have been reduced. Approximately 52% of the reductions have been accomplished through methodical review, restructuring and attrition of certain positions as well as a diminution in the general fund ending fund balance directly related to underspending in salaries and benefits due to a number of vacated positions. The remainder of the reductions will be accommodated through curtailing discretionary and textbook funds, as well as the repayment of a FY2000/01 fund loan from the general fund to the self insurance fund to help stabilize the launch of the District’s self insurance fund (previously discussed as an Internal Service Fund).

Change in Operations

Additionally, another noticeable trend is the drastic decline in enrollment at the Lake Schools – George Whittell High School, Kingsbury Middle School and Zephyr Cove Elementary School. The Lake Schools reached peak enrollment in 1997-98. From that time of peak enrollment, there has been an overall 51% decrease in enrollment, or a reduction of 480 students. Due to the decline in enrollment, DCSD has consolidated from three to two schools by eliminating the Kingsbury Middle School. With the start of the 2008-09 School Year, Zephyr Cove Elementary School began accommodating kindergarten through sixth grades, and George Whittell High School began accommodating seventh through twelfth grades.

Capital 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).

**DOUGLAS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Due to the November 2008 voter approved continuation of this tax, the \$0.10 per \$100 in property tax revenues is secure through 2018. The approved "Roll-over" or "Continuation" Bond will provide an expected \$30Million + in Capital Funding to improve, equip, acquire and construct school facilities without increasing the District's existing tax levy.

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

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Douglas County School District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Business Administration Office, P.O. Box 1888, Minden, Nevada 89423.

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)

	GOVERNMENTAL ACTIVITIES	
	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 19,611,395	\$ 18,962,875
Receivables:		
Taxes	303,714	188,954
Interest	33,678	40,367
Other	168,563	55,542
Due from other governments	2,747,597	3,463,604
Inventories	158,152	179,318
Total current assets	<u>23,023,099</u>	<u>22,890,660</u>
Noncurrent Assets		
Capital assets:		
Land and construction in progress	5,671,072	3,963,060
Other capital assets, net of depreciation	43,656,108	45,118,964
Total noncurrent assets	<u>49,327,180</u>	<u>49,082,024</u>
Total assets	<u>72,350,279</u>	<u>71,972,684</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	7,291,578	5,925,370
Pending claims	1,359,635	1,407,349
Interest payable	17,120	34,483
Deferred revenues	672,821	1,396,307
Current maturities of long-term obligations	5,072,045	4,901,656
Total current liabilities	<u>14,413,199</u>	<u>13,665,165</u>
Noncurrent Liabilities		
Accrued compensated absences	707,698	710,331
Capital leases payable	70,182	-
General obligation bonds	1,745,000	5,410,000
Total noncurrent liabilities	<u>2,522,880</u>	<u>6,120,331</u>
Total liabilities	<u>16,936,079</u>	<u>19,785,496</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,422,833	38,770,368
Restricted for:		
Debt service	1,656,999	2,898,651
Capital projects	2,334,999	3,115,991
Unrestricted	8,999,369	7,402,178
Total net assets	<u>\$ 55,414,200</u>	<u>\$ 52,187,188</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	2008	2007
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular instruction	\$ 27,247,650	\$ 326,844	\$ 1,386,680	\$ -	\$ (25,534,126)	\$ (25,025,741)
Special instruction	7,691,307	-	1,537,461	-	(6,153,846)	(5,826,188)
Vocational instruction	740,911	8,824	151,614	-	(580,473)	(726,783)
Adult instruction	22,998	1,745	23,021	-	1,768	(2,453)
Other instruction	1,789,378	19,109	-	-	(1,770,269)	(1,645,588)
Total Instruction	37,492,244	356,522	3,098,776	-	(34,036,946)	(33,226,753)
Support services:						
Student support	1,942,137	2,729	-	-	(1,939,408)	(1,863,396)
Instructional staff support	3,043,119	16,721	1,801,886	-	(1,224,512)	(1,129,869)
General administration	990,516	13,795	-	-	(976,721)	(881,679)
School administration	3,678,466	51,239	-	-	(3,627,227)	(3,474,833)
Business administration	711,495	9,842	-	-	(701,653)	(630,296)
Operation and maintenance of plant	8,095,836	112,641	-	-	(7,983,195)	(7,656,488)
Student transportation	3,623,985	45,213	-	-	(3,578,772)	(3,023,715)
Other support	1,253,758	6,562	334,888	-	(912,308)	(647,589)
Facilities acquisition and construction	1,983,688	-	13,835	190,000	(1,779,853)	(2,263,586)
Food service	1,678,405	856,416	744,176	-	(77,813)	(23,876)
Interest on long-term debt	328,090	-	-	-	(328,090)	(473,202)
Total Support services	27,329,495	1,115,158	2,894,785	190,000	(23,129,552)	(22,068,529)
Total School District	\$ 64,821,739	\$ 1,471,680	\$ 5,993,561	\$ 190,000	(57,166,498)	(55,295,282)

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>2008</u>	<u>2007</u>
	General revenues:					
	Property taxes, levied for general purposes				\$ 18,650,707	\$ 17,517,983
	Property taxes, levied for debt service				2,487,849	2,374,991
	Local school support taxes				14,314,428	16,302,559
	Government service taxes for general purposes				2,904,302	2,948,615
	Government service taxes for capital purposes				1,200,653	1,218,755
	Other taxes and fees				357,168	416,078
	Unrestricted investment earnings				851,753	1,106,597
	Other local sources				50,327	13,059
	State aid not restricted to specific purposes				19,576,323	16,335,476
	Total General revenues				<u>60,393,510</u>	<u>58,234,113</u>
	Change in Net assets				3,227,012	2,938,831
	NET ASSETS, July 1				<u>52,187,188</u>	<u>49,248,357</u>
	NET ASSETS, June 30				<u><u>\$ 55,414,200</u></u>	<u><u>\$ 52,187,188</u></u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>FEDERAL AND STATE GRANTS FUND</u>	<u>CAPITAL PROJECTS FUND</u>
ASSETS				
Cash and investments	\$ 7,315,655	\$ 1,351,920	\$ 1,208,514	\$ 2,015,144
Receivables:				
Taxes, delinquent	267,605	-	-	-
Interest	17,399	3,130	-	3,260
Other	-	-	-	-
Due from other governments	2,469,912	-	178,883	98,775
Due from other funds	150,636	-	-	-
Inventories	107,762	-	-	-
Total Assets	<u>\$ 10,328,969</u>	<u>\$ 1,355,050</u>	<u>\$ 1,387,397</u>	<u>\$ 2,117,179</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,067,491	\$ 784,181	\$ 833,787	\$ 198,292
Due to other funds	254,089	-	150,636	-
Deferred revenues	237,790	-	402,974	-
Total Liabilities	<u>5,559,370</u>	<u>784,181</u>	<u>1,387,397</u>	<u>198,292</u>
FUND BALANCES				
Reserved for:				
Inventories	107,762	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,918,887
Designated for subsequent year's expenditures	3,933,291	332,788	-	-
Unreserved and undesignated	728,546	238,081	-	-
Total Fund Balances	<u>4,769,599</u>	<u>570,869</u>	<u>-</u>	<u>1,918,887</u>
Total Liabilities and Fund Balances	<u>\$ 10,328,969</u>	<u>\$ 1,355,050</u>	<u>\$ 1,387,397</u>	<u>\$ 2,117,179</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	NON-MAJOR GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS	
		2008	2007
ASSETS			
Cash and investments	\$ 2,922,787	\$ 14,814,020	\$ 15,064,255
Receivables:			
Taxes, delinquent	36,109	303,714	188,954
Interest	2,150	25,939	40,367
Other	-	-	47,922
Due from other governments	27	2,747,597	3,463,604
Due from other funds	-	150,636	-
Inventories	50,390	158,152	179,318
Total Assets	<u>\$ 3,011,463</u>	<u>\$ 18,200,058</u>	<u>\$ 18,984,420</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 325,477	\$ 7,209,228	\$ 6,933,075
Due to other funds	-	404,725	-
Deferred revenues	32,057	672,821	730,573
Total Liabilities	<u>357,534</u>	<u>8,286,774</u>	<u>7,663,648</u>
FUND BALANCES			
Reserved for:			
Inventories	50,390	158,152	179,318
Debt service	1,656,999	1,656,999	2,898,651
Capital projects	416,112	2,334,999	3,115,991
Designated for subsequent year's expenditures	425,979	4,692,058	2,945,264
Unreserved and undesignated	104,449	1,071,076	2,181,548
Total Fund Balances	<u>2,653,929</u>	<u>9,913,284</u>	<u>11,320,772</u>
Total Liabilities and Fund Balances	<u>\$ 3,011,463</u>	<u>\$ 18,200,058</u>	<u>\$ 18,984,420</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund Balance - Governmental Funds \$ 9,913,284

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

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

Governmental capital assets	93,435,799	
Less accumulated depreciation	<u>(44,108,619)</u>	49,327,180

Liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:

Interest payable	(17,120)	
General obligation bonds payable	(6,781,654)	
Capital leases payable	(105,573)	
Compensated absences	<u>(707,698)</u>	(7,612,045)

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

3,785,781

Net Assets - Governmental Activities \$ 55,414,200

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	GENERAL FUND	SPECIAL EDUCATION FUND	FEDERAL AND STATE GRANTS FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2008	2007
REVENUES							
Local sources	\$ 36,981,283	\$ 36,606	\$ 20,256	\$ 1,744,809	\$ 3,557,873	\$ 42,340,827	\$ 44,052,826
State sources	14,907,274	2,594,411	2,655,512	-	2,080,272	22,237,469	19,617,749
Federal sources	2,799	-	2,559,782	-	738,542	3,301,123	3,322,031
Total Revenues	51,891,356	2,631,017	5,235,550	1,744,809	6,376,687	67,879,419	66,992,606
EXPENDITURES							
Instruction:							
Regular instruction	23,831,143	-	1,386,680	-	2,238,334	27,456,157	27,016,819
Special instruction	-	5,826,954	1,537,461	-	-	7,364,415	7,342,140
Vocational instruction	643,400	-	151,614	-	-	795,014	817,213
Adult instruction	-	-	23,022	-	-	23,022	58,780
Other instruction	1,520,506	292,400	-	-	-	1,812,906	1,486,502
Undistributed expenditures:							
Student support	1,980,978	-	-	-	-	1,980,978	1,903,318
Instructional staff support	1,219,186	-	1,801,886	-	-	3,021,072	3,068,186
General administration	1,005,797	-	-	-	-	1,005,797	900,572
School administration	3,735,964	-	-	-	-	3,735,964	3,546,365
Business administration	717,583	-	-	-	-	717,583	639,908
Operation and maintenance	8,212,972	-	-	-	-	8,212,972	7,773,524
Student transportation	3,296,620	441,336	-	-	-	3,737,956	3,409,559
Other support	478,487	455,223	334,887	444,467	-	1,713,064	1,003,415
Food service	-	-	-	-	1,699,659	1,699,659	1,637,770
Facilities construction/improvements	-	-	-	2,029,215	84,840	2,114,055	3,868,514
Debt service:							
Principal	-	-	-	-	3,530,000	3,530,000	3,400,000
Interest	-	-	-	-	344,827	344,827	477,993
Fiscal agent charges	-	-	-	-	625	625	924
Total Expenditures	46,642,636	7,015,913	5,235,550	2,473,682	7,898,285	69,266,066	68,351,502

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	GENERAL FUND	SPECIAL EDUCATION FUND	FEDERAL AND STATE GRANTS FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
						2008	2007
Excess (Deficiency) of Revenues over Expenditures	\$ 5,248,720	\$ (4,384,896)	\$ -	\$ (728,873)	\$ (1,521,598)	\$ (1,386,647)	\$ (1,358,896)
OTHER FINANCING SOURCES (USES)							
Sales of fixed assets	325	-	-	-	-	325	18,622
Transfers (to) from other funds	(4,350,000)	4,250,000	-	-	100,000	-	-
Total Other Financing Sources (Uses)	(4,349,675)	4,250,000	-	-	100,000	325	18,622
Net Change in Fund Balances	899,045	(134,896)	-	(728,873)	(1,421,598)	(1,386,322)	(1,340,274)
FUND BALANCES, July 1	3,894,934	705,765	-	2,647,760	4,072,313	11,320,772	12,662,581
Increase (decrease) in reserve for inventories	(24,380)	-	-	-	3,214	(21,166)	(1,535)
FUND BALANCES, June 30	<u>\$ 4,769,599</u>	<u>\$ 570,869</u>	<u>\$ -</u>	<u>\$ 1,918,887</u>	<u>\$ 2,653,929</u>	<u>\$ 9,913,284</u>	<u>\$ 11,320,772</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (1,407,488)

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

Expenditure for capital assets	2,662,017	
Less current year depreciation	<u>(2,550,913)</u>	111,104

Governmental funds report proceeds from sales of capital assets as other financing sources. However, in the Statement of Activities, the remaining undepreciated cost of disposed assets is offset against the proceeds to reflect a gain or loss on disposition. (15,344)

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. 17,362

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 3,573,826

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in long-term compensated absences		2,633
--	--	-------

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. 944,919

Change in Net Assets of Governmental Activities \$ 3,227,012

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
REVENUES					
Local sources:					
Ad valorem taxes	\$ 18,200,000	\$ 18,500,000	\$ 18,650,707	\$ 150,707	\$ 17,517,983
Local school support tax	16,777,397	14,900,000	14,314,428	(585,572)	16,302,559
Motor vehicle privilege tax	3,152,828	2,900,000	2,904,302	4,302	2,948,615
Franchise tax	120,000	120,000	124,714	4,714	115,855
Out-of-state tuition	360,000	360,000	324,052	(35,948)	359,106
Earnings on investments	275,000	275,000	371,869	96,869	390,203
Other	355,000	355,000	291,211	(63,789)	237,611
Total local sources	39,240,225	37,410,000	36,981,283	(428,717)	37,871,932
State sources:					
Distributive school account	12,478,603	14,560,672	14,907,274	346,602	11,763,382
Federal sources:					
In lieu of tax	10,000	10,000	2,799	(7,201)	3,331
Total revenues	51,728,828	51,980,672	51,891,356	(89,316)	49,638,645
EXPENDITURES					
Regular programs:					
Salaries	16,297,839	16,588,626	16,392,962	195,664	16,208,200
Benefits	5,889,859	6,041,016	5,915,960	125,056	5,687,871
Purchased services	160,861	258,420	206,818	51,602	130,631
Supplies	1,322,127	1,338,612	1,283,740	54,872	1,232,100
Property	42,391	26,824	25,714	1,110	49,188
Other	3,433	5,103	5,949	(846)	3,549
Total regular programs	23,716,510	24,258,601	23,831,143	427,458	23,311,539
Vocational programs:					
Salaries	534,694	457,524	439,719	17,805	511,052
Benefits	190,672	158,097	156,785	1,312	182,389
Purchased services	5,500	6,511	2,300	4,211	1,905
Supplies	49,847	54,289	41,302	12,987	36,624
Property	5,100	4,173	3,195	978	14,511
Other	2,000	100	99	1	-
Total vocational programs	787,813	680,694	643,400	37,294	746,481
Adult education:					
Salaries	27,600	27,600	-	27,600	1,570
Benefits	1,905	1,905	-	1,905	-
Purchased services	2,133	2,133	-	2,133	45
Supplies	12,700	12,700	-	12,700	1,017
Total adult education	44,338	44,338	-	44,338	2,632

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other instructional programs:					
Co-curricular activities:					
Salaries	\$ 167,000	\$ 206,000	\$ 176,913	\$ 29,087	\$ 175,481
Benefits	4,355	4,355	3,727	628	4,301
Purchased services	5,500	5,796	13,470	(7,674)	10,091
Supplies	8,800	7,914	6,378	1,536	7,241
Property	4,200	-	-	-	5,918
Other	4,500	6,781	6,601	180	3,316
Total co-curricular activities	194,355	230,846	207,089	23,757	206,348
Athletics:					
Salaries	205,000	234,500	245,621	(11,121)	224,317
Benefits	8,025	8,025	10,898	(2,873)	9,789
Purchased services	27,000	11,525	10,621	904	22,689
Supplies	43,954	43,363	41,695	1,668	48,355
Property	8,000	12,507	12,311	196	12,210
Other	36,610	47,384	42,968	4,416	53,027
Total athletics	328,589	357,304	364,114	(6,810)	370,387
Alternative education:					
Salaries	136,538	166,746	101,480	65,266	110,685
Benefits	2,661	33,162	19,963	13,199	32,367
Purchased services	-	3,000	1,135	-	-
Supplies	2,160	25,282	4,013	21,269	-
Property	-	625	623	-	-
Total alternative education	141,359	228,815	127,214	99,734	143,052
ROTC:					
Salaries	-	100,000	86,852	13,148	-
Benefits	-	40,545	32,082	8,463	-
Purchased services	-	-	375	(375)	-
Supplies	-	15,000	3,895	11,105	-
Total ROTC	-	155,545	123,204	32,341	-
Summer school:					
Salaries	100,000	100,000	60,553	39,447	47,520
Benefits	4,000	4,000	3,226	774	3,303
Supplies	-	-	2,378	(2,378)	-
Total summer school	104,000	104,000	66,157	37,843	50,823
English as a second language (ESL):					
Salaries	621,787	584,975	450,933	134,042	462,976
Benefits	235,709	239,928	169,543	70,385	162,743
Purchased services	5,000	-	-	-	370
Supplies	8,000	13,000	12,252	748	12,220
Total ESL	870,496	837,903	632,728	205,175	638,309
Total other instructional programs	1,638,799	1,914,413	1,520,506	359,699	1,408,919

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Undistributed expenditures:					
Student support:					
Salaries	\$ 1,396,809	\$ 1,433,895	\$ 1,412,615	\$ 21,280	\$ 1,372,714
Benefits	549,471	553,729	523,044	30,685	499,017
Purchased services	39,735	15,355	10,676	4,679	8,213
Supplies	27,929	34,024	20,803	13,221	21,580
Property	600	16,080	13,182	2,898	1,280
Other	550	848	658	190	514
Total student support	2,015,094	2,053,931	1,980,978	72,953	1,903,318
Instructional staff support:					
Salaries	755,057	824,364	824,854	(490)	745,076
Benefits	276,847	296,334	285,131	11,203	258,515
Purchased services	32,463	30,735	29,266	1,469	25,979
Supplies	79,193	83,956	75,893	8,063	75,796
Property	9,000	6,200	3,280	2,920	10,950
Other	2,200	1,307	762	545	1,200
Total instructional staff support	1,154,760	1,242,896	1,219,186	23,710	1,117,516
General administration:					
Salaries	523,730	552,653	539,955	12,698	508,836
Benefits	228,953	233,750	236,700	(2,950)	209,973
Purchased services	196,962	198,462	175,279	23,183	133,557
Supplies	27,500	39,325	34,683	4,642	24,763
Property	7,250	7,750	2,857	4,893	1,865
Other	21,000	22,175	16,323	5,852	21,578
Total general administration	1,005,395	1,054,115	1,005,797	48,318	900,572
School administration:					
Salaries	2,453,344	2,590,396	2,577,825	12,571	2,457,226
Benefits	916,281	949,413	931,108	18,305	857,399
Purchased services	173,248	173,938	161,686	12,252	158,402
Supplies	74,873	79,028	55,911	23,117	69,441
Property	3,500	2,983	5,561	(2,578)	-
Other	6,623	3,961	3,873	88	3,897
Total school administration	3,627,869	3,799,719	3,735,964	63,755	3,546,365
Business support:					
Salaries	473,888	415,586	375,366	40,220	372,179
Benefits	163,801	137,761	126,828	10,933	127,567
Purchased services	125,014	197,614	193,242	4,372	127,271
Supplies	11,500	31,100	20,943	10,157	11,560
Property	3,000	600	576	24	1,196
Other	500	700	628	72	135
Total business support	777,703	783,361	717,583	65,778	639,908

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Operation and maintenance:					
Salaries	\$ 2,904,269	\$ 2,987,278	\$ 2,975,933	\$ 11,345	\$ 2,820,891
Benefits	1,060,268	1,063,858	1,014,826	49,032	982,866
Purchased services	1,876,815	2,060,146	1,878,629	181,517	1,736,521
Supplies	2,349,709	2,347,599	2,193,156	154,443	2,139,746
Property	89,305	128,913	150,428	(21,515)	93,500
Total operation and maintenance	8,280,366	8,587,794	8,212,972	374,822	7,773,524
Student transportation:					
Salaries	1,629,912	1,678,808	1,686,278	(7,470)	1,573,297
Benefits	707,346	693,020	670,699	22,321	605,221
Purchased services	123,442	124,025	110,593	13,432	82,952
Supplies	510,258	638,177	493,655	144,522	441,114
Property	304,962	331,081	335,395	(4,314)	349,164
Total student transportation	3,275,920	3,465,111	3,296,620	168,491	3,051,748
Central support:					
Purchased services	3,210	3,210	-	3,210	-
Supplies	600	600	-	600	-
Total central support	3,810	3,810	-	3,810	-
Other support:					
Salaries	350,000	460,000	407,245	52,755	282,532
Benefits	83,750	83,750	70,465	13,285	24,237
Purchased services	-	-	777	(777)	773
Supplies	10,000	10,000	-	10,000	-
Total other support	443,750	553,750	478,487	75,263	307,542
Total undistributed expenditures	20,584,667	21,544,487	20,647,587	896,900	19,240,493
Contingency	467,721	484,425	-	484,425	-
Total expenditures	47,239,848	48,926,958	46,642,636	2,250,114	44,710,064
Excess of revenues over expenditures	4,488,980	3,053,714	5,248,720	2,195,006	4,928,581

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	\$ 10,000	\$ 10,000	\$ 325	\$ (9,675)	\$ 18,622
Transfers from other funds	150,000	-	-	-	-
Transfers to other funds	<u>(4,550,000)</u>	<u>(4,350,000)</u>	<u>(4,350,000)</u>	<u>-</u>	<u>(3,923,528)</u>
Total other financing sources (uses)	<u>(4,390,000)</u>	<u>(4,340,000)</u>	<u>(4,349,675)</u>	<u>(9,675)</u>	<u>(3,904,906)</u>
Net change in fund balance	98,980	(1,286,286)	899,045	2,185,331	1,023,675
FUND BALANCE, July 1	2,548,794	3,889,934	3,894,934	5,000	2,887,677
Increase (decrease) in reserve for inventories	<u>-</u>	<u>-</u>	<u>(24,380)</u>	<u>(24,380)</u>	<u>(16,418)</u>
FUND BALANCE, June 30	<u>\$ 2,647,774</u>	<u>\$ 2,603,648</u>	<u>\$ 4,769,599</u>	<u>\$ 2,165,951</u>	<u>\$ 3,894,934</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
SPECIAL EDUCATION - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 30,000	\$ 30,000	\$ 36,606	\$ 6,606	\$ 52,784
State sources:					
Distributive school account	2,594,411	2,594,411	2,594,411	-	2,423,588
Total revenues	2,624,411	2,624,411	2,631,017	6,606	2,476,372
EXPENDITURES					
Special programs:					
Instruction:					
Salaries	3,898,672	4,244,680	4,130,267	114,413	3,624,387
Benefits	1,606,839	1,667,914	1,560,848	107,066	1,347,870
Purchased services	68,133	57,100	115,590	(58,490)	43,509
Supplies	29,789	22,518	20,119	2,399	20,333
Property	2,000	-	30	(30)	-
Other	500	135	100	35	249
Total instruction	5,605,933	5,992,347	5,826,954	165,393	5,036,348
Other direct support:					
Salaries	189,716	202,402	200,244	2,158	174,901
Benefits	75,192	77,429	66,079	11,350	62,106
Purchased services	154,360	172,946	173,571	(625)	150,345
Supplies	9,150	8,441	8,323	118	8,292
Property	7,300	7,000	6,931	69	21,415
Other	300	75	75	-	-
Total other direct support	436,018	468,293	455,223	13,070	417,059
Student transportation:					
Salaries	312,000	321,200	220,397	100,803	196,083
Benefits	94,032	104,662	91,094	13,568	84,852
Purchased services	1,300	-	-	-	-
Supplies	48,354	45,033	39,327	5,706	35,374
Property	90,518	90,518	90,518	-	41,502
Total student transportation	546,204	561,413	441,336	120,077	357,811
Total special programs	6,588,155	7,022,053	6,723,513	298,540	5,811,218
Other instructional programs:					
Academically talented:					
Salaries	202,122	204,226	210,962	(6,736)	197,399
Benefits	76,289	84,771	79,086	5,685	72,529
Supplies	2,957	2,567	2,263	304	1,907
Other	75	89	89	-	-
Total academically talented	281,443	291,653	292,400	(747)	271,835

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
SPECIAL EDUCATION - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
Contingency	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Total expenditures	<u>6,929,598</u>	<u>7,373,706</u>	<u>7,015,913</u>	<u>357,793</u>	<u>6,083,053</u>
Excess (deficiency) of revenues over expenditures	(4,305,187)	(4,749,295)	(4,384,896)	364,399	(3,606,681)
OTHER FINANCING SOURCES					
Transfers from other funds	<u>4,450,000</u>	<u>4,250,000</u>	<u>4,250,000</u>	<u>-</u>	<u>3,923,528</u>
Net change in fund balance	144,813	(499,295)	(134,896)	364,399	316,847
FUND BALANCE, July 1	<u>228,406</u>	<u>705,765</u>	<u>705,765</u>	<u>-</u>	<u>388,918</u>
FUND BALANCE, June 30	<u>\$ 373,219</u>	<u>\$ 206,470</u>	<u>\$ 570,869</u>	<u>\$ 364,399</u>	<u>\$ 705,765</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
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Grants:					
Local sources	\$ -	\$ -	\$ 20,256	\$ 20,256	\$ -
State sources	58,148	179,044	2,655,512	2,476,468	3,276,449
Federal sources	6,199,972	5,412,526	2,559,782	(2,852,744)	2,612,819
Total revenues	6,258,120	5,591,570	5,235,550	(356,020)	5,889,268
EXPENDITURES					
Regular programs:					
Salaries	891,322	913,712	846,025	67,687	836,792
Benefits	233,257	240,778	222,896	17,882	214,876
Purchased services	243,411	192,653	101,620	91,033	160,828
Supplies	358,122	143,467	104,094	39,373	296,753
Property	237,705	70,147	80,938	(10,791)	233,724
Other	31,689	36,169	31,107	5,062	27,063
Total regular programs	1,995,506	1,596,926	1,386,680	210,246	1,770,036
Special programs:					
Salaries	711,470	668,508	720,976	(52,468)	703,632
Benefits	352,333	377,396	336,110	41,286	303,763
Purchased services	574,940	428,905	364,935	63,970	507,644
Supplies	101,785	60,999	56,275	4,724	41,889
Property	35,000	-	3,471	(3,471)	10,576
Other	57,635	58,136	55,694	2,442	49,394
Total special programs	1,833,163	1,593,944	1,537,461	56,483	1,616,898
Vocational programs:					
Salaries	-	2,940	988	1,952	-
Benefits	-	-	70	(70)	-
Purchased services	1,883	8,900	9,100	(200)	1,883
Supplies	14,202	37,229	39,267	(2,038)	14,086
Property	54,338	107,873	100,321	7,552	54,330
Other	433	1,752	1,868	(116)	433
Total vocational programs	70,856	158,694	151,614	7,080	70,732
Adult education:					
Salaries	20,000	25,000	15,900	9,100	25,000
Benefits	2,400	5,000	417	4,583	5,000
Purchased services	2,000	675	751	(76)	562
Supplies	27,422	13,800	5,115	8,685	23,877
Property	4,500	-	-	-	-
Other	1,826	1,681	839	842	1,709
Total adult education	58,148	46,156	23,022	23,134	56,148

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
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
Other programs:					
Pre-kindergarten:					
Salaries	\$ 52,462	\$ -	\$ -	\$ -	\$ 50,807
Benefits	12,317	-	-	-	10,070
Purchased services	4,916	-	-	-	3,744
Supplies	10,681	-	-	-	10,600
Other	2,524	-	-	-	2,362
Total pre-kindergarten	82,900	-	-	-	77,583
Undistributed expenditures:					
Student support:					
Salaries	4,000	4,000	-	4,000	-
Total student support	4,000	4,000	-	4,000	-
Instructional staff support:					
Salaries	291,924	225,434	217,452	7,982	247,681
Benefits	5,364	5,083	55,442	(50,359)	51,472
Purchased services	1,453,111	1,481,604	1,377,893	103,711	1,357,435
Supplies	115,485	76,611	68,984	7,627	145,828
Property	89,993	14,574	18,621	(4,047)	89,738
Other	58,792	52,778	63,494	(10,716)	58,516
Total instructional staff support	2,014,669	1,856,084	1,801,886	54,198	1,950,670
Other support:					
Salaries	198,878	335,766	334,887	879	347,201
Total other support	198,878	335,766	334,887	879	347,201
Total undistributed expenditures	2,217,547	2,195,850	2,136,773	59,077	2,297,871
Total expenditures	6,258,120	5,591,570	5,235,550	356,020	5,889,268
Net change in fund balance	-	-	-	-	-
FUND BALANCE, July 1	-	-	-	-	-
FUND BALANCE, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2008	2007
ASSETS		
Current:		
Cash and investments	\$ 4,797,375	\$ 3,898,618
Receivables:		
Interest	7,738	-
Other	168,563	379,817
Due from other funds	953,601	665,734
Total Assets	5,927,277	4,944,169
 LIABILITIES		
Current:		
Accounts payable and accrued expenses	82,349	30,224
Deferred revenue	699,512	665,734
Pending claims	1,359,635	1,407,349
Total Liabilities	2,141,496	2,103,307
 NET ASSETS		
Unrestricted	\$ 3,785,781	\$ 2,840,862

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2008	2007
OPERATING REVENUES		
Insurance premiums	\$ 7,624,943	\$ 7,152,270
State assisted revenues	254,089	597,839
Insurance proceeds and other	467,250	250,878
Total operating revenues	8,346,282	8,000,987
OPERATING EXPENSES		
Claims expense	6,029,447	6,034,667
Purchased services	1,540,920	1,384,908
Total operating expenses	7,570,367	7,419,575
Operating income	775,915	581,412
NON-OPERATING REVENUES		
Earnings on investments	169,004	189,235
Change in net assets	944,919	770,647
NET ASSETS, July 1	2,840,862	2,070,215
NET ASSETS, June 30	\$ 3,785,781	\$ 2,840,862

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
	2008	2007
CASH FROM OPERATING ACTIVITIES		
Cash received from insurance premiums	\$ 7,819,184	\$ 7,097,810
Cash received from insurance proceeds and other	465,939	344,914
Cash received from state assisted revenues	-	597,839
Cash paid for claims expense	(6,077,161)	(6,188,747)
Cash paid for services and supplies	(1,488,795)	(1,360,872)
Net cash provided by operating activities	719,167	490,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	179,590	189,235
NET INCREASE IN CASH	898,757	680,179
CASH AND INVESTMENTS, July 1	3,898,618	3,218,439
CASH AND INVESTMENTS, June 30	\$ 4,797,375	\$ 3,898,618
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS		
Operating income	\$ 775,915	\$ 581,412
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Change in assets and liabilities:		
Accounts receivable	192,930	(101,853)
Due from other funds	(287,867)	121,595
Accounts payable	52,125	24,036
Pending claims	(47,714)	(154,080)
Deferred revenue	33,778	19,834
Total adjustments	(56,748)	(90,468)
Net cash provided by operating activities	\$ 719,167	\$ 490,944

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
STATEMENT OF AGENCY ASSETS AND LIABILITIES
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	STUDENT ACTIVITY FUNDS	
ASSETS	2008	2007
Cash and investments	\$ 690,742	\$ 815,266
LIABILITIES		
Due to student groups	690,742	815,266
NET ASSETS		
Unreserved and undesignated	\$ -	\$ -

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Douglas County School District, Minden, Nevada (the "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 is as follows:

Reporting Entity

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

Basic Financial Statements - Government-Wide Statements

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

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

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Basic Financial Statements – Fund Financial Statements

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

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

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

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

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

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

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

General Fund

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Federal and State Grants Fund

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

Special Education Fund

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

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).

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

Proprietary Funds:

Internal Service Funds

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

Fiduciary Funds:

Agency Funds

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

Special Revenue Funds (Nonmajor):

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

Capital Projects Funds (Nonmajor):

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

Debt Service Fund (Nonmajor):

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Basis of Accounting / Measurement Focus

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

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

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

Governmental Funds

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

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

Proprietary Funds

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accounts payable include provisions for claims reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Fiduciary Funds

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

Property Taxes

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

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

Budgets and Budgetary Accounting

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

1. Prior to April 15, the District's Board of Trustees (the "Board") files a tentative budget with the Nevada Department of Taxation and the Nevada Department of Education for the fiscal year beginning the following July 1. For all funds except Agency funds, the tentative budget includes proposed expenditures and the means of financing them.
2. Prior to June 8, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the Board's members.
3. On or before the following January 1, the Board of Trustees adopts an amended final budget to reflect any adjustments necessary as a result of the complete count of students.
4. The Superintendent of Schools is authorized to transfer appropriations between accounts within departments and funds, if amounts do not exceed the original budget, subject to subsequent approval by the Board of Trustees. Augmentations in excess of the original budget require approval from the Board of Trustees.
5. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue funds, the Debt Service Fund, Capital Projects funds, and the Internal Service funds. Such funds have legally adopted annual budgets which lapse at year-end. The fund balance described as "Designated for Subsequent Year's Expenditures" in these

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

financial statements represents that portion of the ending fund balance which has been obligated in the 2008-2009 budget.

6. Budgeted appropriations may not be exceeded by actual expenditures of the various programs in the budgeted governmental funds. The sum of operating and nonoperating expenses in the Internal Service funds may not exceed appropriations.
7. All budgets are adopted on a basis consistent with GAAP. The accompanying financial statements reflect the Original Budget and the Final Budget, which has been adjusted for legally authorized revisions made during the year.

Cash and Investments

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

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

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

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Statements of Cash Flows

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

Inventories

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

Capital Assets

Capital assets, which include land, buildings, machinery, and equipment, are reported in the government-wide financial statements. The District defines capital assets as having an initial, individual cost of more than \$3,000 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>
Building/Land Improvements	20-50
Vehicles/Buses	8
Machinery and Equipment	5-15

Allowance for Uncollectible Receivables

The District has established an allowance for uncollectible receivables of \$0 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, 2008, but not yet paid.

Expenditures

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

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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

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

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

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

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

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

Compensated Absences

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

Use of Estimates

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

Prior Year Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2007, from which summarized information was derived. Certain amounts presented in the prior year data may be reclassified in order to be consistent with the current year's presentation.

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

The District conformed to all significant statutory constraints on its financial administration during the year with the following potential exceptions:

Expenditures/Expenses in Excess of Appropriations:

<u>Fund</u>	<u>Program</u>	<u>Expenditures in Excess of Budget</u>
Class Size Reduction	Regular	\$ 16,125
Special Education	Academically Talented	747

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, 2008, the District had the following amounts reported as cash and investments:

<u>Government-Wide Balances:</u>	
Pooled Cash	\$ 1,092,201
Cash held with fiscal agent	1,789,194
Investments	<u>16,730,000</u>
	19,611,395
<u>Fiduciary Fund Balances:</u>	
Cash held by Student Activity Funds	<u>690,742</u>
Total Cash and Investments	<u><u>\$ 20,302,137</u></u>

As of June 30, 2008, the District had the following investments, at fair value with a maturity date of less than one year:

State of Nevada, Local Government Investment Pool	<u><u>\$ 16,730,000</u></u>
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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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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.

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

Government-Wide Financial Statements

The government-wide Statement of Net Assets utilizes a net asset presentation. Net assets are categorized as invested in capital assets-net of related debt, restricted and unrestricted. Related debt is the debt outstanding that relates to the acquisition, construction or improvement of capital assets. Restricted net assets are net assets which have an external and/or statutory limitation on their use.

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

Unrestricted net assets represent available financial resources of the District.

Fund Financial Statements

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

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

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

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

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

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

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

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008 is shown below:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,413,439	\$ -	\$ -	\$ 1,413,439
Construction in progress	2,549,622	1,708,011		4,257,633
Total capital assets, not being depreciated	<u>3,963,061</u>	<u>1,708,011</u>	<u>-</u>	<u>5,671,072</u>
Other capital assets:				
Buildings	68,254,223	-	(2,701)	68,251,522
Improvements other than buildings	12,427,142	119,834	-	12,546,976
Equipment	6,029,532	983,572	(46,875)	6,966,229
Total capital assets being depreciated	<u>86,710,897</u>	<u>1,103,406</u>	<u>(49,576)</u>	<u>87,764,727</u>
Total capital assets	<u>90,673,958</u>	<u>2,811,417</u>	<u>(49,576)</u>	<u>93,435,799</u>
Less accumulated depreciation for:				
Buildings	32,172,158	1,628,013	-	33,800,171
Improvements other than buildings	5,519,069	418,287	-	5,937,356
Equipment	3,900,707	504,613	(34,228)	4,371,092
Total accumulated depreciation	<u>41,591,934</u>	<u>2,550,913</u>	<u>(34,228)</u>	<u>44,108,619</u>
Governmental activities, capital assets, net	<u>\$ 49,082,024</u>	<u>\$ 260,504</u>	<u>\$ (15,348)</u>	<u>\$ 49,327,180</u>

Depreciation expense was allocated to the following functions/programs:

Instruction:		Support:	
Regular	\$ 252,443	Student	\$ 3,372
Special	81,507	Instructional staff	61,220
Vocational	48,299	General administration	1,014
Other	6,586	School administration	1,485
	<u>388,835</u>	Business administration	1,773
		Operations and maintenance	77,232
		Student transportation	226,802
		Facilities construction and improvement	1,785,595
		Food services	3,585
			<u>2,162,078</u>
		Summary:	
		Instruction	388,835
		Support	2,162,078
		Total Depreciation Expense	<u>\$ 2,550,913</u>

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 - GENERAL LONG-TERM OBLIGATIONS AND CAPITAL LEASES

General Long-Term Obligations

General long-term obligations consist of the following at June 30, 2008:

	Balance July 1, 2007	Issued	Retired	Balance June 30, 2008
General Obligation Refunding Bonds issued April 9, 1998, in the amount of 8,710,000 due serially over 11 years, interest at 4.0% to 4.4%.	\$ 5,550,000	\$ -	\$ 2,720,000	\$ 2,830,000
General Obligation Refunding Bonds issued February 20, 2003, in the amount of 5,750,000 due serially over 8 years, interest at 1.5% to 3.3%.	<u>3,390,000</u>	<u>-</u>	<u>810,000</u>	<u>2,580,000</u>
	<u>\$ 8,940,000</u>	<u>\$ -</u>	<u>\$ 3,530,000</u>	<u>\$ 5,410,000</u>

The annual requirements to amortize all General Obligation Debt outstanding as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2009	3,665,000	205,448	3,870,448
2010	860,000	56,295	916,295
2011	885,000	29,205	914,205
2012	-	-	-
2013	-	-	-
	<u>* \$ 5,410,000</u>	<u>\$ 290,948</u>	<u>\$ 5,700,948</u>

* Net of unamortized premium of \$ 1,371,654

Capital Leases

In January 2007, the District entered into a lease purchase agreement for \$149,399 with Leasing Innovations, Incorporated for licenses to the PowerSchool software program. Yearly payments of \$43,826, including 6.4% interest began in July 2007 and will continue until July 2010. The debt service requirements to maturity as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2009	\$ 35,391	\$ 8,435	\$ 43,826
2010	38,218	5,608	43,826
2011	31,964	11,862	43,826
2012	-	-	-
2013	-	-	-
	<u>\$ 105,573</u>	<u>\$ 25,905</u>	<u>\$ 131,478</u>

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Changes in Long-Term Obligations

	Balance July 1, 2007	Issued	Retired	Balance June 30, 2008	Due Within One Year
General Obligation Bonds	\$ 10,311,654	\$ -	\$ 3,530,000	\$ 6,781,654	\$ 5,036,654
Compensated Absences	710,331	-	2,633	707,698	-
Capital Leases	-	149,399	43,826	105,573	35,391
	<u>\$ 11,021,985</u>	<u>\$ 149,399</u>	<u>\$ 3,576,459</u>	<u>\$ 7,594,925</u>	<u>\$ 5,072,045</u>

Total interest paid on general long-term obligations for the year ended June 30, 2008 was \$328,090.

The District was, in accordance with NRS 387.400, within the legal debt limit at June 30, 2008.

NOTE 7 - PENSION PLAN

Plan Description

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

Funding Policy

Benefits for plan members are funded under one of two methods. Under the employer pay contribution plan, the District is required to contribute all amounts due under the Plan. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the Plan, while the District is required to match that contribution. The contribution requirements of plan members and the District are established by Chapter 286 of the Nevada Revised Statutes and may only be amended through legislation. The District's contribution rates and amounts paid on all covered payroll which are equal to the required contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate</u>	<u>Total Contribution</u>
2008	20.50%	\$ 6,414,365
2007	19.75%	6,058,997
2006	19.75%	5,861,544

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 - TRANSFERS

Interfund transfers are shown as other financing sources (or uses) in all funds other than the Internal Service funds. When applicable, these are shown as operating transfers. Transfers are used to reimburse funds for indirect costs, and to supplement programs that are not fully funded by general revenues through the distributive school account. Transfers made during the year ended June 30, 2008 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Funds:</i>		
General Fund	\$ -	\$ 4,350,000
Special Revenue Funds:		
Special Education Fund	4,250,000	-
Food Services Fund	<u>100,000</u>	<u>-</u>
	<u>\$ 4,350,000</u>	<u>\$ 4,350,000</u>

NOTE 9 - POSTRETIREMENT BENEFITS

In accordance with the State of Nevada’s Assembly Bill 286 (AB286), the District participates in the State of Nevada Public Employee’s Benefit Program (PEBP). The benefits provided through this program are partial subsidies of health, dental, and vision insurance premiums, (determined on a sliding scale) for retired persons who have worked five to twenty years for the District, and who elect to participate in the program. The District is required by law to pay a percentage of the base amount for each fiscal year for participants and records this cost on a “pay as you go” basis. The sources of funding for the payments are charges to those District funds with benefited payrolls.

During the fiscal year ended June 30, 2008, the District incurred \$754,089 of expenditures for the PEBP. There were 227 persons eligible to receive benefits. The estimated cost of coverage for retirees of the District during fiscal year 2009 is approximately \$1 million.

NOTE 10 – RISK MANAGEMENT

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

Self-Insurance Health Fund

The District contributed approximately \$662 per month per employee 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 \$125,000 and for aggregate loss, which is based on a factor determined monthly by the carrier.

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 \$250,000. 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 4%.

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, 2007 and 2008 are as follows:

	Self-Insurance Funds		
	Health Fund	Workers' Compensation	Total
Claims liability, July 1, 2006	\$ 974,429	\$ 587,000	\$ 1,561,429
Current year claims and changes in estimates	5,994,149	40,518	6,034,667
Claim payments	(6,044,229)	(144,518)	(6,188,747)
Claims liability, June 30, 2007	924,349	483,000	1,407,349
Current year claims and changes in estimates	5,805,366	224,081	6,029,447
Claim payments	(5,871,080)	(206,081)	(6,077,161)
Claims liability, June 30, 2008	<u>\$ 858,635</u>	<u>\$ 501,000</u>	<u>\$ 1,359,635</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

The District has been named in a lawsuit where unions are challenging the formal action by the District's Trustees to revoke board policies that govern the Early Retirement Incentive Plan. While the exact amount of the loss is not known, a reasonable estimate based on information currently available is \$300,000. The case is in the early stages and the ultimate outcome of the case is presently uncertain. The accompanying financial statements do not include any adjustments that might be necessary should the case result in an unfavorable outcome.

**DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Construction Commitments

As of June 30, 2008, the District had commitments with respect to unfinished capital projects. Included in those commitments are the following:

George Whittell High School – Indoor Practice	\$ 2,341,437
George Whittell High School – Remodel	312,685
George Whittell High School – Bus storage	132,892
Others under \$25,000	<u>29,970</u>
	<u>\$ 2,816,984</u>

These remaining construction commitments are included as reservations of fund balance in the Balance Sheet of the Capital Projects Fund.

NOTE 12 – SUBSEQUENT EVENTS

In the November 2008 election the District received voter authorization to issue additional bonds. These funds are going to support various capital improvements throughout the District.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**DOUGLAS COUNTY SCHOOL DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Motor vehicle privilege tax	\$ 1,303,169	\$ 1,167,000	\$ 1,200,653	\$ 33,653	\$ 1,218,755
Residential building permit tax	205,999	285,823	229,655	(56,168)	291,656
Earnings on investments	86,917	103,764	74,501	(29,263)	125,800
Donation	-	50,000	190,000	140,000	882,850
Other	-	-	50,000	50,000	-
Total revenues	<u>1,596,085</u>	<u>1,606,587</u>	<u>1,744,809</u>	<u>138,222</u>	<u>2,519,061</u>
EXPENDITURES					
Current:					
Other support:					
Purchased services	43,826	22,000	174	21,826	-
Supplies	20,000	47,551	91,996	(44,445)	80,129
Property	<u>330,000</u>	<u>383,306</u>	<u>352,297</u>	<u>31,009</u>	<u>268,543</u>
Total other support	<u>393,826</u>	<u>452,857</u>	<u>444,467</u>	<u>8,390</u>	<u>348,672</u>
Site improvements:					
Purchased services	300,000	485,088	454,753	30,335	1,003,861
Supplies	-	3,000	12,984	(9,984)	5,955
Property	<u>-</u>	<u>130,000</u>	<u>142,577</u>	<u>(12,577)</u>	<u>34,923</u>
Total site improvements	<u>300,000</u>	<u>618,088</u>	<u>610,314</u>	<u>20,351</u>	<u>1,044,739</u>
Building construction:					
Purchased services	<u>1,020,000</u>	<u>490,589</u>	<u>454,574</u>	<u>36,015</u>	<u>616,040</u>
Total building construction	<u>1,020,000</u>	<u>490,589</u>	<u>454,574</u>	<u>36,015</u>	<u>616,040</u>
Building improvements:					
Purchased services	750,000	1,012,000	948,069	63,931	1,163,624
Supplies	<u>-</u>	<u>-</u>	<u>16,258</u>	<u>(16,258)</u>	<u>-</u>
Total building improvements	<u>750,000</u>	<u>1,012,000</u>	<u>964,327</u>	<u>47,673</u>	<u>1,163,624</u>
Total expenditures	<u>2,463,826</u>	<u>2,573,534</u>	<u>2,473,682</u>	<u>112,429</u>	<u>3,173,075</u>
Net change in fund balance	(867,741)	(966,947)	(728,873)	250,651	(654,014)
FUND BALANCE, July 1	<u>1,967,512</u>	<u>2,647,760</u>	<u>2,647,760</u>	<u>-</u>	<u>3,301,774</u>
FUND BALANCE, June 30	<u>\$ 1,099,771</u>	<u>\$ 1,680,813</u>	<u>\$ 1,918,887</u>	<u>\$ 250,651</u>	<u>\$ 2,647,760</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS NONMAJOR GOVERNMENTAL FUNDS</u>	
	<u>FOOD SERVICE FUND</u>	<u>CLASS SIZE REDUCTION</u>	<u>TOTALS</u>	<u>BUILDING AND SITES</u>	<u>DEBT SERVICE</u>	<u>2008</u>	<u>2007</u>
ASSETS							
Cash and investments	\$ 458,368	\$ 351,449	\$ 809,817	\$ 460,023	\$ 1,652,947	\$ 2,922,787	\$ 4,384,496
Receivables:							
Taxes, delinquent	-	-	-	-	36,109	36,109	21,469
Interest	514	871	1,385	765	-	2,150	7,243
Due from other governments	27	-	27	-	-	27	30,199
Inventories	50,390	-	50,390	-	-	50,390	47,176
Total Assets	\$ 509,299	\$ 352,320	\$ 861,619	\$ 460,788	\$ 1,689,056	\$ 3,011,463	\$ 4,490,583
LIABILITIES							
Accounts payable and accrued liabilities	\$ 94,051	\$ 186,750	\$ 280,801	\$ 44,676	\$ -	\$ 325,477	\$ 401,413
Deferred revenues	-	-	-	-	32,057	32,057	16,857
Total Liabilities	94,051	186,750	280,801	44,676	32,057	357,534	418,270
FUND BALANCES							
Reserved for:							
Inventories	50,390	-	50,390	-	-	50,390	47,176
Debt service	-	-	-	-	1,656,999	1,656,999	2,898,651
Capital projects	-	-	-	416,112	-	416,112	-
Designated for:							
Subsequent year's expenditures	260,084	165,895	425,979	-	-	425,979	316,624
Capital projects	-	-	-	-	-	-	468,231
Unreserved and undesignated	104,774	(325)	104,449	-	-	104,449	341,631
Total Fund Balances	415,248	165,570	580,818	416,112	1,656,999	2,653,929	4,072,313
Total Liabilities and Fund Balances	\$ 509,299	\$ 352,320	\$ 861,619	\$ 460,788	\$ 1,689,056	\$ 3,011,463	\$ 4,490,583

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS NONMAJOR GOVERNMENTAL FUNDS</u>	
	<u>FOOD SERVICE FUND</u>	<u>CLASS SIZE REDUCTION</u>	<u>TOTALS</u>	<u>BUILDING AND SITES</u>	<u>DEBT SERVICE</u>	<u>2008</u>	<u>2007</u>
REVENUES							
Local sources	\$ 865,950	\$ 25,402	\$ 891,352	\$ 32,721	\$ 2,633,800	\$ 3,557,873	\$ 3,609,049
State sources	5,634	2,074,638	2,080,272	-	-	2,080,272	2,154,330
Federal sources	738,542	-	738,542	-	-	738,542	705,881
Total Revenues	<u>1,610,126</u>	<u>2,100,040</u>	<u>3,710,166</u>	<u>32,721</u>	<u>2,633,800</u>	<u>6,376,687</u>	<u>6,469,260</u>
EXPENDITURES							
Instruction:							
Regular instruction	-	2,238,334	2,238,334	-	-	2,238,334	1,935,244
Support services:							
Food service	1,699,659	-	1,699,659	-	-	1,699,659	1,637,770
Facilities acquisition and construction	-	-	-	84,840	-	84,840	1,044,111
Debt service:							
Principal	-	-	-	-	3,530,000	3,530,000	3,400,000
Interest	-	-	-	-	344,827	344,827	477,993
Fiscal agent charges	-	-	-	-	625	625	924
Total Expenditures	<u>1,699,659</u>	<u>2,238,334</u>	<u>3,937,993</u>	<u>84,840</u>	<u>3,875,452</u>	<u>7,898,285</u>	<u>8,496,042</u>
Excess (Deficiency) of Revenues Over Expenditures	(89,533)	(138,294)	(227,827)	(52,119)	(1,241,652)	(1,521,598)	(2,026,782)
OTHER FINANCING SOURCES (USES)							
Transfers (to) from other funds	100,000	-	100,000	-	-	100,000	-
Net Change in Fund Balances	10,467	(138,294)	(127,827)	(52,119)	(1,241,652)	(1,421,598)	(2,026,782)
FUND BALANCES, July 1	401,567	303,864	705,431	468,231	2,898,651	4,072,313	6,084,212
Increase (decrease) in reserve for inventories	3,214	-	3,214	-	-	3,214	14,883
FUND BALANCES, June 30	<u>\$ 415,248</u>	<u>\$ 165,570</u>	<u>\$ 580,818</u>	<u>\$ 416,112</u>	<u>\$ 1,656,999</u>	<u>\$ 2,653,929</u>	<u>\$ 4,072,313</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 10,000	\$ 10,000	\$ 9,534	\$ (466)	\$ 15,377
Daily sales	980,000	980,000	856,416	(123,584)	881,664
Total local sources	990,000	990,000	865,950	(124,050)	897,041
State sources:					
Grants	5,000	5,000	5,634	634	5,824
Federal sources:					
Grants	733,000	733,000	738,542	5,542	705,881
Total revenues	1,728,000	1,728,000	1,610,126	(117,874)	1,608,746
EXPENDITURES					
Food Service:					
Salaries	647,726	643,625	613,236	30,389	581,388
Benefits	250,265	255,428	252,853	2,575	230,311
Purchased services	9,300	9,300	10,758	(1,458)	12,927
Supplies	932,000	932,000	815,082	116,918	809,566
Property	10,000	10,000	7,730	2,270	3,578
Total other programs	1,849,291	1,850,353	1,699,659	150,694	1,637,770
Contingency	25,000	25,000	-	25,000	-
Total expenditures	1,874,291	1,875,353	1,699,659	175,694	1,637,770
Excess (Deficiency) of Revenues Over Expenditures	(146,291)	(147,353)	(89,533)	57,820	(29,024)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	100,000	100,000	100,000	-	-
Net change in fund balance	(46,291)	(47,353)	10,467	57,820	(29,024)
FUND BALANCE, July 1	152,132	401,567	401,567	-	415,708
Increase (decrease) in reserve for inventories	-	-	3,214	3,214	14,883
FUND BALANCE, June 30	\$ 105,841	\$ 354,214	\$ 415,248	\$ 57,820	\$ 401,567

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
CLASS SIZE REDUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
REVENUES					
Local sources:					
Earnings on investments	\$ 22,000	\$ 22,000	\$ 25,402	\$ 3,402	\$ 30,211
State sources:					
Special appropriations	2,199,709	2,131,967	2,074,638	(57,329)	2,148,506
Total revenues	<u>2,221,709</u>	<u>2,153,967</u>	<u>2,100,040</u>	<u>(53,927)</u>	<u>2,178,717</u>
EXPENDITURES					
Regular programs:					
Salaries	1,478,270	1,620,016	1,640,791	(20,775)	1,407,748
Benefits	571,439	602,193	597,543	4,650	527,497
Total expenditures	<u>2,049,709</u>	<u>2,222,209</u>	<u>2,238,334</u>	<u>(16,125)</u>	<u>1,935,245</u>
Excess (Deficiency) of Revenues over Expenditures	172,000	(68,242)	(138,294)	(70,052)	243,472
OTHER FINANCING SOURCES (USES)					
Interfund transfer	150,000	-	-	-	-
Net change in fund balance	22,000	(68,242)	(138,294)	(70,052)	243,472
FUND BALANCE, July 1	<u>196,784</u>	<u>303,865</u>	<u>303,864</u>	<u>(1)</u>	<u>60,392</u>
FUND BALANCE, June 30	<u>\$ 218,784</u>	<u>\$ 235,623</u>	<u>\$ 165,570</u>	<u>\$ (70,053)</u>	<u>\$ 303,864</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
BUILDING AND SITES FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
REVENUES					
Local sources:					
Earnings on investments	\$ 12,461	\$ 11,806	\$ 18,886	\$ 7,080	\$ 47,449
Other	10,000	4,000	13,835	9,835	3,820
Total revenues	<u>22,461</u>	<u>15,806</u>	<u>32,721</u>	<u>16,915</u>	<u>51,269</u>
EXPENDITURES					
Building construction:					
Purchased services	-	-	2,133	(2,133)	365,498
Building improvement:					
Purchased services	<u>275,000</u>	<u>87,133</u>	<u>82,707</u>	<u>4,426</u>	<u>678,613</u>
Total expenditures	<u>275,000</u>	<u>87,133</u>	<u>84,840</u>	<u>2,293</u>	<u>1,044,111</u>
Net change in fund balance	(252,539)	(71,327)	(52,119)	19,208	(992,842)
FUND BALANCE, July 1	<u>488,455</u>	<u>468,231</u>	<u>468,231</u>	<u>-</u>	<u>1,461,073</u>
FUND BALANCE, June 30	<u>\$ 235,916</u>	<u>\$ 396,904</u>	<u>\$ 416,112</u>	<u>\$ 19,208</u>	<u>\$ 468,231</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
REVENUES					
Local sources:					
Ad valorem taxes	\$ 2,531,221	\$ 2,531,221	\$ 2,487,849	\$ (43,372)	\$ 2,374,991
Earnings on investments	140,000	140,000	145,578	5,578	255,094
Other	2,000	2,000	373	(1,627)	444
Total revenues	<u>2,673,221</u>	<u>2,673,221</u>	<u>2,633,800</u>	<u>(39,421)</u>	<u>2,630,529</u>
EXPENDITURES					
Debt service:					
Principal	3,530,000	3,530,000	3,530,000	-	3,400,000
Interest	344,828	344,828	344,827	1	477,993
Coupon redemption	5,000	5,000	-	5,000	-
Fiscal agent charges	-	-	625	(625)	924
Total expenditures	<u>3,879,828</u>	<u>3,879,828</u>	<u>3,875,452</u>	<u>4,376</u>	<u>3,878,917</u>
Net change in fund balance	(1,206,607)	(1,206,607)	(1,241,652)	(35,045)	(1,248,388)
FUND BALANCE, July 1	<u>2,799,086</u>	<u>2,898,651</u>	<u>2,898,651</u>	<u>-</u>	<u>4,147,039</u>
FUND BALANCE, June 30	<u>\$ 1,592,479</u>	<u>\$ 1,692,044</u>	<u>\$ 1,656,999</u>	<u>\$ (35,045)</u>	<u>\$ 2,898,651</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF NET ASSETS
 JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	<u>SELF-INSURANCE HEALTH FUND</u>	<u>WORKERS' COMPENSATION SELF-INSURANCE FUND</u>	<u>TOTALS GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>	
			<u>2008</u>	<u>2007</u>
ASSETS				
Current:				
Cash and investments	\$ 3,163,496	\$ 1,633,879	\$ 4,797,375	\$ 3,898,618
Receivables:				
Interest	5,068	2,670	7,738	18,324
Other	148,539	20,024	168,563	361,493
Due from other funds	953,601	-	953,601	665,734
Total Assets	<u>4,270,704</u>	<u>1,656,573</u>	<u>5,927,277</u>	<u>4,944,169</u>
LIABILITIES				
Current:				
Accounts payable and accrued expenses	363	81,986	82,349	30,224
Deferred revenue	699,512	-	699,512	665,734
Pending claims	858,635	501,000	1,359,635	1,407,349
Total Liabilities	<u>1,558,510</u>	<u>582,986</u>	<u>2,141,496</u>	<u>2,103,307</u>
NET ASSETS				
Unrestricted	<u>\$ 2,712,194</u>	<u>\$ 1,073,587</u>	<u>\$ 3,785,781</u>	<u>\$ 2,840,862</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	SELF-INSURANCE HEALTH FUND	WORKERS' COMPENSATION SELF-INSURANCE FUND	TOTALS GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2008	2007
OPERATING REVENUES				
Insurance premiums	\$ 7,436,902	\$ 188,041	\$ 7,624,943	\$ 7,152,270
State assisted revenue	254,089	-	254,089	597,839
Insurance proceeds and other	444,748	22,502	467,250	250,878
Total operating revenues	<u>8,135,739</u>	<u>210,543</u>	<u>8,346,282</u>	<u>8,000,987</u>
OPERATING EXPENSES				
Claims expense	5,805,366	224,081	6,029,447	6,034,667
Purchased services	1,486,944	53,976	1,540,920	1,384,908
Total operating expenses	<u>7,292,310</u>	<u>278,057</u>	<u>7,570,367</u>	<u>7,419,575</u>
Operating income (loss)	843,429	(67,514)	775,915	581,412
NON-OPERATING REVENUES				
Earnings on investments	112,185	56,819	169,004	189,235
Change in net assets	955,614	(10,695)	944,919	770,647
NET ASSETS, July 1	<u>1,756,580</u>	<u>1,084,282</u>	<u>2,840,862</u>	<u>2,070,215</u>
NET ASSETS, June 30	<u>\$ 2,712,194</u>	<u>\$ 1,073,587</u>	<u>\$ 3,785,781</u>	<u>\$ 2,840,862</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)**

	SELF-INSURANCE HEALTH FUND	WORKERS' COMPENSATION	TOTALS	
		SELF-INSURANCE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS	
			2008	2007
CASH FROM OPERATING ACTIVITIES				
Cash received from insurance premiums	\$ 7,631,143	\$ 188,041	\$ 7,819,184	\$ 7,097,810
Cash received from insurance proceeds	443,500	22,439	465,939	344,914
Cash received from state assisted revenues	-	-	-	597,839
Cash paid for claims expense	(5,871,080)	(206,081)	(6,077,161)	(6,188,747)
Cash paid for services and supplies	(1,486,581)	(2,214)	(1,488,795)	(1,360,872)
Net cash provided (used) by operating activities	716,982	2,185	719,167	490,944
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	118,027	61,563	179,590	189,235
NET INCREASE (DECREASE) IN CASH	835,009	63,748	898,757	680,179
CASH AND INVESTMENTS, July 1	<u>2,328,487</u>	<u>1,570,131</u>	<u>3,898,618</u>	<u>3,218,439</u>
CASH AND INVESTMENTS, June 30	<u>\$ 3,163,496</u>	<u>\$ 1,633,879</u>	<u>\$ 4,797,375</u>	<u>\$ 3,898,618</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS				
Operating income (loss)	\$ 843,429	\$ (67,514)	\$ 775,915	\$ 581,412
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Change in assets and liabilities:				
Receivables - other	192,993	(63)	192,930	(101,853)
Due from other funds	(287,867)	-	(287,867)	121,595
Accounts payable	363	51,762	52,125	24,036
Pending claims	(65,714)	18,000	(47,714)	(154,080)
Deferred revenue	33,778	-	33,778	19,834
Total adjustments	(126,447)	69,699	(56,748)	(90,468)
Net cash provided by operating activities	<u>\$ 716,982</u>	<u>\$ 2,185</u>	<u>\$ 719,167</u>	<u>\$ 490,944</u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
SELF-INSURANCE HEALTH FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ 7,848,750	\$ 7,848,750	\$ 7,436,902	\$ (411,848)	\$ 6,972,633
State assisted revenue	350,000	350,000	254,089	(95,911)	597,839
Insurance proceeds	350,000	852,000	444,748	(407,252)	223,319
Total operating revenues	8,548,750	9,050,750	8,135,739	(915,011)	7,793,791
OPERATING EXPENSES					
Claims expense	7,421,548	7,411,548	5,805,366	1,606,182	5,994,149
Purchased services	1,243,388	1,744,202	1,486,944	257,258	1,330,031
Supplies	-	10,000	-	10,000	-
Total operating expenses	8,664,936	9,165,750	7,292,310	1,873,440	7,324,180
Operating income (loss)	(116,186)	(115,000)	843,429	958,429	469,611
NON-OPERATING REVENUES					
Earnings on investments	90,000	90,000	112,185	22,185	108,990
Change in net assets	(26,186)	(25,000)	955,614	980,614	578,601
NET ASSETS, July 1	779,431	1,756,580	1,756,580	-	1,177,979
NET ASSETS, June 30	\$ 753,245	\$ 1,731,580	\$ 2,712,194	\$ 980,614	\$ 1,756,580

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
SELF-INSURANCE HEALTH FUND
STATEMENT OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	<u>2008 BUDGET</u>		<u>2008</u>		<u>2007</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>	<u>ACTUAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$7,848,750	\$7,848,750	\$7,631,143	\$ (217,607)	\$6,763,811
Cash received from insurance proceeds	350,000	350,000	443,500	93,500	344,914
Cash received from state assisted revenues	350,000	852,000	-	(852,000)	597,839
Cash paid for claims expense	(7,411,548)	(7,411,548)	(5,871,080)	1,540,468	(6,044,229)
Cash paid for services and supplies	<u>(1,253,388)</u>	<u>(1,754,202)</u>	<u>(1,486,581)</u>	<u>267,621</u>	<u>(1,330,031)</u>
Net cash provided (used) by operating activities	<u>(116,186)</u>	<u>(115,000)</u>	<u>716,982</u>	<u>831,982</u>	<u>332,304</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>90,000</u>	<u>90,000</u>	<u>118,027</u>	<u>28,027</u>	<u>108,990</u>
NET INCREASE (DECREASE) IN CASH	(26,186)	(25,000)	835,009	860,009	441,294
CASH AND INVESTMENTS, July 1	<u>1,488,645</u>	<u>1,462,459</u>	<u>2,328,487</u>	<u>866,028</u>	<u>1,887,193</u>
CASH AND INVESTMENTS, June 30	<u><u>\$1,462,459</u></u>	<u><u>\$1,437,459</u></u>	<u><u>\$3,163,496</u></u>	<u><u>\$1,726,037</u></u>	<u><u>\$2,328,487</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS					
Operating income (loss)	<u>\$ (116,186)</u>	<u>\$ (115,000)</u>	<u>\$ 843,429</u>	<u>\$ 958,429</u>	<u>\$ 469,611</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:					
Change in assets and liabilities:					
Receivables - other	-	-	192,993	192,993	(228,656)
Due from other funds	-	-	(287,867)	(287,867)	121,595
Accounts payable	-	-	363	363	-
Pending claims	-	-	(65,714)	(65,714)	(50,080)
Deferred revenue	-	-	33,778	33,778	19,834
Total adjustments	<u>-</u>	<u>-</u>	<u>(126,447)</u>	<u>(126,447)</u>	<u>(137,307)</u>
Net cash provided (used) by operations	<u><u>\$ (116,186)</u></u>	<u><u>\$ (115,000)</u></u>	<u><u>\$ 716,982</u></u>	<u><u>\$ 831,982</u></u>	<u><u>\$ 332,304</u></u>

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
WORKERS' COMPENSATION SELF-INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
OPERATING REVENUES					
Insurance premiums	\$ 175,000	\$ 175,000	\$ 188,041	\$ 13,041	\$ 179,637
Other	20,000	20,000	22,502	2,502	27,559
Total operating revenues	195,000	195,000	210,543	15,543	207,196
OPERATING EXPENSES					
Claims expense	200,000	200,000	224,081	(24,081)	40,518
Purchased services	75,000	75,000	53,976	21,024	54,877
Total operating expenses	275,000	275,000	278,057	(3,057)	95,395
Operating income (loss)	(80,000)	(80,000)	(67,514)	12,486	111,801
NON-OPERATING REVENUES					
Earnings on investments	50,000	50,000	56,819	6,819	80,245
Change in net assets	(30,000)	(30,000)	(10,695)	19,305	192,046
NET ASSETS, July 1	692,236	1,084,282	1,084,282	-	892,236
NET ASSETS, June 30	\$ 662,236	\$ 1,054,282	\$ 1,073,587	\$ 19,305	\$ 1,084,282

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
WORKERS' COMPENSATION SELF-INSURANCE FUND
STATEMENT OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007)**

	2008 BUDGET		2008		2007
	ORIGINAL	FINAL	ACTUAL	VARIANCE TO FINAL BUDGET	ACTUAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from insurance premiums	\$ 175,000	\$ 175,000	\$ 188,041	\$ 13,041	\$ 333,999
Cash received from other operating sources	20,000	20,000	22,439	2,439	-
Cash paid for claims expense	(200,000)	(200,000)	(206,081)	(6,081)	(144,518)
Cash paid for purchased services	(75,000)	(75,000)	(2,214)	72,786	(30,841)
Net cash provided (used) by operating activities	(80,000)	(80,000)	2,185	82,185	158,640
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	50,000	50,000	61,563	11,563	80,245
NET INCREASE (DECREASE) IN CASH	(30,000)	(30,000)	63,748	93,748	238,885
CASH AND INVESTMENTS, July 1	1,131,246	1,101,246	1,570,131	468,885	1,331,246
CASH AND INVESTMENTS, June 30	\$1,101,246	\$1,071,246	\$1,633,879	\$ 562,633	\$1,570,131
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS					
Operating income (loss)	\$ (80,000)	\$ (80,000)	\$ (67,514)	\$ 12,486	\$ 111,801
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:					
Change in assets and liabilities:					
Receivables - other	-	-	(63)	(63)	126,803
Accounts payable	-	-	51,762	51,762	24,036
Pending claims	-	-	18,000	18,000	(104,000)
Total adjustments	-	-	69,699	69,699	46,839
Net cash provided (used) by operations	\$ (80,000)	\$ (80,000)	\$ 2,185	\$ 82,185	\$ 158,640

See accompanying notes.

**DOUGLAS COUNTY SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE JULY 1, 2007</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>BALANCE JUNE 30, 2008</u>
Student Activity Funds				
Douglas High School	\$ 356,959	\$ 865,243	\$ 970,301	\$ 251,901
George Whittell High School	85,687	150,336	173,377	62,646
Carson Valley Middle School	85,193	152,385	148,767	88,811
Pau-Wa-Lu Middle School	28,249	127,323	124,266	31,306
Kingsbury Middle School	11,853	24,164	36,017	-
Scarcelli Elementary School	45,579	102,364	95,757	52,186
Gardnerville Elementary School	34,282	66,026	63,606	36,702
C.C. Meneley Elementary School	28,066	79,781	76,505	31,342
Jacks Valley Elementary School	29,873	49,722	53,471	26,124
Minden Elementary School	47,176	83,235	83,905	46,506
Pinion Hills Elementary School	59,925	157,805	158,176	59,554
Zephyr Cove Elementary School	2,424	7,962	6,722	3,664
	<u>\$ 815,266</u>	<u>\$ 1,866,346</u>	<u>\$ 1,990,870</u>	<u>\$ 690,742</u>

See accompanying notes.

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 *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities of Douglas County School District (District) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Except as disclosed in Note 2 to the financial statements, the results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 25, 2008.

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

Solari and Steiner, LLC

November 25, 2008



Certified Public Accountants
Business Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

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

Compliance

We have audited the compliance of the Douglas County School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a

direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Solari and Stearns, LLC

November 25, 2008

**DOUGLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>AMOUNT</u>
U.S. Department of Education:			
Passed through State of Nevada Department of Education:			
Special Education Cluster			
Special Education - Grants to States	84.027	08-2415-04	\$ 1,480,239
Special Education - Preschool Grants	84.173	08-2715-44	<u>57,222</u>
			<u>1,537,461</u>
 Title I, Part A - Grants to Local Educational Agencies	 84.010	 08-2712-09	 512,631
Title I, Part D - Program for Neglected and Delinquent Children	84.013	08-2712-33	92,814
Vocational Education - Basic Grants to States	84.048	08-2676-04	59,738
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	08-2605-09	13,600
Title V, Part A - State Grants for Innovative Programs	84.298	08-2713-04	11,847
Title II, Part D - Education Technology State Grants	84.318	08-2713-64	5,346
English Language Acquisition Grants			
Title III, Immigrant Education Program	84.365	08-2709-36	49,071
Title III, Limited English Proficient Students	84.365	08-2709-27	36,373
Improving Teacher Quality State Grants	84.367	08-2713-28	233,130
Grants for State Assessments and Related Activities	84.369	08-2713-85	<u>7,771</u>
			<u>1,022,321</u>
Total U.S. Department of Education			<u>2,559,782</u>
 U.S. Department of Agriculture:			
Passed through State of Nevada Department of Administration:			
Food Donation:			
Commodities (non-cash)	10.555	N/A	<u>105,672</u>
 Passed through State of Nevada Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	113,719
National School Lunch Program	10.555	N/A	<u>519,151</u>
			<u>632,870</u>
Total U.S. Department of Agriculture			<u>738,542</u>
 Total Federal Financial Assistance			 <u>\$ 3,298,324</u>

See accompanying notes.

DOUGLAS COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

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 (District) for the year ended June 30, 2008. 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 – Food Donation (commodities) represents the fair value of commodity food received by the District for the year ended June 30, 2008.

**DOUGLAS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Douglas County School District.
2. No significant deficiencies relating to the audit of the financial statements are disclosed in the "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*."
3. No instances of noncompliance material to the financial statements of Douglas County School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs of Douglas County School District expresses an unqualified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The major programs tested for Douglas County School District for the year ended June 30, 2008 are as follows:

Special Education Cluster	
Special Education – State Grants	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. 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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008**

There were no audit findings reported for the year ended June 30, 2007.

**DOUGLAS COUNTY SCHOOL DISTRICT
NEVADA REVISED STATUTE 354.6241
JUNE 30, 2008**

In accordance with NRS 354.6241, the following requirements are noted:

- The funds subject to this reporting requirement are as noted in the table of contents of the Douglas County School District's financial statements for the year ended June 30, 2008, except for the General Fund, which is exempt from this requirement.
- All funds maintained by the Douglas County School District conformed to all significant statutory constraints on financial administration during the year and were administered in accordance with generally accepted accounting principles in all material respects.
- The sources of revenues, including transfers, available for all funds are as noted in the financial statements, as are the ending fund balances/retained earnings of all funds.

AUDITORS' COMMENTS



Certified Public Accountants
Business Advisors

INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed management's assertion that the reserved fund balances/net assets in the funds of Douglas County School District as of June 30, 2008 were reasonable and necessary to carry out the purposes of the funds in accordance with criteria established by the State of Nevada Legislative Counsel Bureau. Douglas County School District's management is responsible for the assertion.

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

Based on our review, nothing came to our attention that caused us to believe that management's assertion referred to above is not fairly stated, in all material respects, in conformity with the interpretation of reasonable and necessary provided by the State of Nevada Legislative Counsel Bureau in reference to the requirements of Nevada Revised Statute 354.6241.

Solari and Sturmer, LLC

November 25, 2008

**DOUGLAS COUNTY SCHOOL DISTRICT
INDEPENDENT AUDITORS' COMMENTS
JUNE 30, 2008**

CURRENT YEAR STATUTE COMPLIANCE

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

**PROGRESS ON PRIOR
YEAR STATUTE VIOLATIONS**

Overexpenditures, which were apparent statute violations, were reported for the year ended June 30, 2007; and are also reported for the year ended June 30, 2008.

CURRENT YEAR AUDIT RECOMMENDATIONS

We did not find any financial weaknesses of a 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.