

DAVISS COUNTY SCHOOL DISTRICT

***BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION***

Year Ended June 30, 2012

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendices I through IV of the Independent Auditors' Contract*. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 October 5, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 to 10 and 44 to 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Owensboro, Kentucky
October 5, 2012

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The discussion and analysis of Daviess County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net assets increased \$488,304. Net assets of governmental activities increased by \$283,070, while net assets of business-type activities increased by \$205,234.
- General revenues accounted for \$88,713,575 in revenue or 84.5% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$16,281,282 or 15.5% of total governmental revenues of \$104,994,857.
- Total assets of governmental activities decreased by \$5,250,652. Capital assets decreased by \$2,301,249 due to depreciation expense, while cash and investments decreased by \$2,518,673 due to construction expenditures.
- The School District had \$104,711,787 in expenses related to governmental activities; only \$16,281,282 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations), were adequate to provide for these programs.
- Construction continued during fiscal year 2012. Construction of the new West Louisville Elementary was completed in August 2011. Construction of the access-drive stacking lanes at Highland Elementary and the high school athletic buildings were also completed during 2012. Various other small projects were also completed during the year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Daviess County School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Assets** and the **Statement of Activities** provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Daviess County School District are the General Fund and Special Revenue Fund.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Reporting the School District as a Whole

One of the most important questions asked about the School District is "how did we do financially during 2012?" The **Statement of Net Assets** and the **Statement of Activities**, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received and paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs and other factors.

In the **Statement of Net Assets** and the **Statement of Activities**, the School District is divided into two distinct kinds of activities:

Governmental Activities – most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and other activities.

Business-Type Activities – these services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service and after school programs are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds – most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Reporting the School District's Most Significant Funds, Continued

near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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 can be found on pages 22 - 43 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$47,804,820 for Governmental Activities and \$2,927,908 for Business-Type Activities as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$ 22,269,722	\$ 25,219,125	\$2,033,363	\$1,917,315	\$ 24,303,085	\$ 27,136,440
Capital assets	<u>97,514,558</u>	<u>99,815,807</u>	<u>1,014,543</u>	<u>880,044</u>	<u>98,529,101</u>	<u>100,695,851</u>
Total assets	<u>119,784,280</u>	<u>125,034,932</u>	<u>3,047,906</u>	<u>2,797,359</u>	<u>122,832,186</u>	<u>127,832,291</u>
Liabilities						
Long-term liabilities	65,328,729	69,889,257	-	-	65,328,729	69,889,257
Other liabilities	<u>6,650,731</u>	<u>7,623,925</u>	<u>119,998</u>	<u>74,685</u>	<u>6,770,729</u>	<u>7,698,610</u>
Total liabilities	<u>71,979,460</u>	<u>77,513,182</u>	<u>119,998</u>	<u>74,685</u>	<u>72,099,458</u>	<u>77,587,867</u>
Net Assets						
Invested in capital assets, net of debt	34,703,137	32,427,945	1,014,543	880,044	35,717,680	33,307,989
Restricted	2,619,465	5,293,454	-	-	2,619,465	5,293,454
Unrestricted	<u>10,482,218</u>	<u>9,800,351</u>	<u>1,913,365</u>	<u>1,842,630</u>	<u>12,395,583</u>	<u>11,642,981</u>
Total net assets	<u>\$ 47,804,820</u>	<u>\$ 47,521,750</u>	<u>\$2,927,908</u>	<u>\$2,722,674</u>	<u>\$ 50,732,728</u>	<u>\$ 50,244,424</u>

Total assets decreased \$5,000,105 due to depreciation. Total net assets increased by \$488,304.

(Table 2)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Charges for services	\$ 499,077	\$ 530,526	\$3,509,619	\$3,471,414	\$ 4,008,696	\$ 4,001,940
Operating grants and contributions	11,162,547	16,511,167	4,413,094	3,988,554	15,575,641	20,499,721
Capital grants and contributions	4,619,658	4,894,243	-	-	4,619,658	4,894,243
General revenues:						
Taxes	30,054,167	28,633,369	-	-	30,054,167	28,633,369
State aid formula grants	41,047,693	38,252,260	-	-	41,047,693	38,252,260
Investment earnings	383,992	427,961	17,812	13,469	401,804	441,430
Miscellaneous	365,476	341,595	-	-	365,476	341,595
State on behalf payments	16,809,627	16,076,158	-	-	16,809,627	16,076,158

**Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 2)
Net Assets, Continued

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Transfers	52,620	(226,564)	(52,620)	226,564	-	-
Total revenues and transfers	<u>104,994,857</u>	<u>105,440,715</u>	<u>7,887,905</u>	<u>7,700,001</u>	<u>112,882,762</u>	<u>113,140,716</u>
Program expenses:						
Instruction	67,232,230	65,806,863	-	-	67,232,230	65,806,863
Support services:						
Student	3,703,499	3,658,295	-	-	3,703,499	3,658,295
Instructional staff	4,465,423	3,828,858	-	-	4,465,423	3,828,858
District administration	666,396	759,166	-	-	666,396	759,166
School administration	6,660,260	6,334,739	-	-	6,660,260	6,334,739
Business	1,744,190	1,595,397	-	-	1,744,190	1,595,397
Facility operations/maintenance	8,355,926	8,320,408	-	-	8,355,926	8,320,408
Student transportation	7,661,548	7,448,273	-	-	7,661,548	7,448,273
Non-instructional	823,370	799,292	-	-	823,370	799,292
Facility acquisition/construction	591,516	416,220	-	-	591,516	416,220
After school program	-	-	994,329	947,015	994,329	947,015
Interest on long-term debt	2,807,429	3,120,904	-	-	2,807,429	3,120,904
Food service	-	-	6,688,342	6,036,412	6,688,342	6,036,412
Total expenses and transfers	<u>104,711,787</u>	<u>102,088,415</u>	<u>7,682,671</u>	<u>6,983,427</u>	<u>112,394,458</u>	<u>109,071,842</u>
Increase in net assets	<u>\$ 283,070</u>	<u>\$ 3,352,300</u>	<u>\$ 205,234</u>	<u>\$ 716,574</u>	<u>\$ 488,304</u>	<u>\$ 4,068,874</u>

Governmental Activities

Instruction comprises 64.2% of governmental program expenses. Support services expenses make up 31.8% of governmental expenses. Non-instructional expenses for community services total .8% of governmental expenses. Facilities acquisition/construction and interest accounts for the remaining 3.2% of the total governmental expense.

**Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Reporting the School District's Most Significant Funds, Continued

Governmental Activities, Continued

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. The total cost of services includes state on-behalf payments in the amount of \$16,809,627 for 2012.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Instruction	\$ 67,232,230	\$ 65,806,863	\$59,782,158	\$52,290,002
Support services	33,257,242	31,945,136	29,794,063	28,991,540
Non-instructional	823,370	799,292	667	(100)
Facilities acquisition/construction	591,516	416,220	(3,715,226)	(4,010,915)
Interest on long-term debt	<u>2,807,429</u>	<u>3,120,904</u>	<u>2,568,843</u>	<u>2,881,952</u>
Total expenses	<u>\$104,711,787</u>	<u>\$102,088,415</u>	<u>\$88,430,505</u>	<u>\$80,152,479</u>

Business-Type Activities

The business-type activities are food service and after school programs. These programs had revenues of \$7,940,525 and expenses of \$7,682,671 for fiscal year 2012. Of the revenues, \$3,509,619 was charges for services, \$4,413,094 was from state and federal grants, and \$17,812 was from investment earnings. Indirect cost transfers and other transfers totaled \$52,620. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of these activities. If it becomes necessary, the School District will increase the charges for these activities.

The School District's Funds

Information about the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$106,305,358 and expenditures of \$108,466,272. Net changes in fund balances for the year were most significant the FSPK Building Fund totaling \$(1,019,212), and Construction Fund totaling \$(1,654,777). The General Fund's fund balance increased by \$571,942.

The increase in General Fund was due to an increase in transfers from FSPK for vehicle purchases, which is why that fund decreased. The decrease in Construction Fund was due to final construction costs for the new school.

**Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Reporting the School District's Most Significant Funds, Continued

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

A variance comparison is presented between the final budgeted amounts and the actual (GAAP Basis) amounts. The General Fund revenues were budgeted at \$67,392,159, with actual amounts of \$84,847,215. Budgeted expenditures of \$81,458,386 compare, with actual expenditures of \$87,415,051, a difference of \$5,956,665. The source of both the revenue and expense budget variances is related to state on-behalf payments totaling \$16,809,627, which KDE requires school districts to exclude from their budget. Budgeted other financing sources was \$1,905,203, with actual financing sources of \$3,139,778. The net increase in the General Fund balance is \$571,942.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$98,529,101 invested in land, buildings, equipment and construction in progress, \$97,514,558 in governmental activities, and \$1,014,543 in business-type activities. Table 4 shows fiscal year 2012 balances compared to 2011.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 3,495,105	\$ 3,505,980	\$ -	\$ -	\$ 3,495,105	\$ 3,505,980
Land improvements	958,152	904,397	10,042	10,815	968,194	915,212
Buildings and improvements	83,850,935	77,098,570	-	-	83,850,935	77,098,570
Technology equipment	3,357,466	2,828,095	73,572	15,944	3,431,038	2,844,039
Vehicles	4,380,530	3,711,847	-	-	4,380,530	3,711,847

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Capital Assets and Debt Administration, Continued

Capital Assets, Continued

(Table 4)
Capital Assets at June 30
(Net of Depreciation), Continued

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General equipment	1,472,370	1,543,283	930,929	853,285	2,403,299	2,396,568
Construction in progress	-	10,223,635	-	-	-	10,223,635
Total	<u>\$97,514,558</u>	<u>\$99,815,807</u>	<u>\$1,014,543</u>	<u>\$880,044</u>	<u>\$98,529,101</u>	<u>\$100,695,851</u>

The decrease in total assets is due to depreciation.

Debt

At June 30, 2012, the School District had \$63,500,000 in bonds outstanding, of which \$240,430 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$4,935,000 is due within one year.

At June 30, 2011, the School District had \$66,970,000 in bonds outstanding, of which \$314,761 was to be paid from the KSFCC funding provided by the State of Kentucky.

District Challenges for the Future

Daviess County School District's overall financial status improved during the last year. The District is financially stable, but at risk due to inadequate state funding. This is the result of three factors: the general decrease in the percentage of state funding for K-12 public education; the rising cost of employer retirement expense and the related state pension fund financial challenge; and the global economic uncertainties.

A challenge facing our School District is that of inadequate state funding. In recent years, the state has placed an assortment of mandates on Kentucky School Districts, yet adequate funding for those mandates has not been provided. This practice, over time, will place a severe strain on the District's resources. The District maintains a contingency plan to deal with state funding shortfalls, but this will only be effective for the short-term. A long-term solution at the state level must be determined and enacted by the state legislature to ensure adequate funding for Kentucky's public school districts. State revenues have not regained pre-recession levels, largely due to sustained high unemployment and a tax structure that is need of systemic change.

**Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

District Challenges for the Future, Continued

A second financial risk facing Daviess County Public Schools is the rising retirement/pension costs and the financial instability in the state pension fund. The employer matching percentage has more than doubled over the last five-year period for the support personnel and is scheduled to increase at a rapid rate over the next ten-year period. Additionally, Kentucky school boards began contributing to the Kentucky Teachers Retirement System (KTRS) for the first time ever in FY 2011 and this continued to increase in FY 2012. School boards began contributing at a rate of 0.25% up to a maximum of 3.0%, phased-in over a six-year period in an effort to stabilize the KTRS medical fund. New legislation was approved in the General Assembly that forbids the state from continuing to borrow from the KTRS pension fund to meet the state's pension obligation. No additional state funding has been appropriated to offset this rising cost and the District has been forced to increase local funding to provide the necessary revenue to offset the unavoidable cost increases. Further, instability in the state pension fund is a large financial concern for the state's budget and the resulting negative financial impact this could have on school districts should the problem remain unresolved.

Last, global financial uncertainties continue to place an unknown financial risk for the District. In FY 2012, our state grants continued to experience large reductions in funding due to a drastic reduction enforced by the state. Federal stimulus funding such as the State Stabilization Fund and the Education Jobs Fund were no longer available to school districts in FY 2012, which caused a greater strain on the General Fund since these funding sources were not available to offset declining State SEEK revenue. With continued cost increases, such as fuel and other energy costs, and declining State SEEK revenue forecasted for FY 2013 and FY 2014, it is certain that the District will be faced with more budget reductions to avoid experiencing budgetary deficits in the General Fund.

With careful planning and monitoring of our finances, the Daviess County School District's goals are to continue to provide a quality education for our students and to secure a positive financial future for the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Matthew Robbins, Assistant Superintendent of Finance and Operations, at Daviess County Public Schools, 1622 Southeastern Parkway, P.O. Box 21510, Owensboro, KY 42304-1510, or email at mrobbins@dcps.org.

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 14,373,485	\$ 1,776,875	\$ 16,150,360
Investments	5,047,261	-	5,047,261
Accounts receivable:			
Taxes	1,103,514	-	1,103,514
Other	46,407	4,776	51,183
Due from other governments	904,468	96,048	1,000,516
Due from fiduciary funds	-	-	-
Inventory	285,734	155,664	441,398
Prepays and other current assets	33,625	-	33,625
Capital assets, net	97,514,558	1,014,543	98,529,101
Deferred debt issuance costs	475,228	-	475,228
Total assets	<u>119,784,280</u>	<u>3,047,906</u>	<u>122,832,186</u>
LIABILITIES			
Accounts payable	251,430	44,458	295,888
Accrued salaries and benefits	3,868,575	-	3,868,575
Payroll withholdings	820,700	-	820,700
Accrued interest payable	595,489	-	595,489
Deferred revenue	1,114,537	75,540	1,190,077
Long-term liabilities:			
Due within one year	6,203,253	-	6,203,253
Due in more than one year	59,125,476	-	59,125,476
Total liabilities	<u>71,979,460</u>	<u>119,998</u>	<u>72,099,458</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,703,137	1,014,543	35,717,680
Restricted for:			
Capital projects	2,619,465	-	2,619,465
Unrestricted	10,482,218	1,913,365	12,395,583
Total net assets	<u>\$ 47,804,820</u>	<u>\$ 2,927,908</u>	<u>\$ 50,732,728</u>

DAVIESS COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 67,232,230	\$ 208,624	\$ 7,167,118	\$ 74,330	\$ (59,782,158)	\$	\$ (59,782,158)
Support services:							
Student	3,703,499	-	967,521	-	(2,735,978)		(2,735,978)
Instructional staff	4,465,423	-	1,782,867	-	(2,682,556)		(2,682,556)
District administration	666,396	-	-	-	(666,396)		(666,396)
School administration	6,660,260	-	12,336	-	(6,647,924)		(6,647,924)
Business	1,744,190	-	-	-	(1,744,190)		(1,744,190)
Plant operation and maintenance	8,355,926	23,789	-	-	(8,332,137)		(8,332,137)
Student transportation	7,661,548	266,664	410,002	-	(6,984,882)		(6,984,882)
Community services	823,370	-	822,703	-	(667)		(667)
New building construction	591,516	-	-	4,306,742	(591,516)		(591,516)
Building renovations / additions	-	-	-	238,586	4,306,742		4,306,742
Interest on long-term liabilities	2,807,429	-	-	-	(2,568,843)		(2,568,843)
Total governmental activities	104,711,787	499,077	11,162,547	4,619,658	(88,430,505)		(88,430,505)
Business-type activities:							
Food service	6,688,342	2,468,241	4,364,688	-	\$	\$ 144,587	144,587
After school program	994,329	1,041,378	48,406	-		95,455	95,455
Total business-type activities	7,682,671	3,509,619	4,413,094	-	240,042	240,042	240,042
Total district	\$ 112,394,458	\$ 4,008,696	\$ 15,575,641	\$ 4,619,658	(88,430,505)	240,042	(88,190,463)
General revenues:							
Property taxes					26,381,314		26,381,314
Utility taxes					3,672,853		3,672,853
State aid formula grants					41,047,693		41,047,693
On-behalf payments					16,809,627		16,809,627
Investment earnings					383,992	17,812	401,804
Miscellaneous					365,476		365,476
Transfers					52,620	(52,620)	-
Total general revenues and transfers					88,713,575	(34,808)	88,678,767
Change in net assets					283,070	205,234	488,304
Net assets, June 30, 2011					47,521,750	2,722,674	50,244,424
Net assets, June 30, 2012					\$ 47,804,820	\$ 2,927,908	\$ 50,732,728

DAVISS COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,395,024	\$ 265,092	\$ 2,713,369	\$ 14,373,485
Investments	5,047,261	-	-	5,047,261
Accounts receivable:				
Taxes	1,103,514	-	-	1,103,514
Other	41,607	4,800	-	46,407
Due from other governments	24,202	854,008	-	878,210
Due from other funds	-	-	-	-
Inventory	285,734	-	-	285,734
Prepaid expenses	993	-	-	993
Total assets	\$ 17,898,335 ✓	\$ 1,123,900 ✓	\$ 2,713,369	\$ 21,735,604
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable	\$ 145,108	\$ 12,418	\$ 93,904	\$ 251,430
Due to other funds	-	-	-	-
Accrued salaries and benefits	3,868,575	-	-	3,868,575
Payroll withholdings	820,700	-	-	820,700
Deferred revenue	330,986	1,046,868	-	1,377,854
Total current liabilities	5,165,369 ✓	1,059,286 ✓	93,904	6,318,559
Fund Balances:				
Nonspendable	285,734 ✓	-	-	285,734
Restricted	-	64,614 ✓	2,449,060	2,513,674
Committed	94,549 ✓	-	-	94,549
Assigned	70,934 ✓	153,359	170,405	394,698
Unassigned	12,281,749	(153,359)	-	12,128,390
Total fund balances	12,732,966	64,614	2,619,465	15,417,045 ✓
Total liabilities and fund balances	\$ 17,898,335	\$ 1,123,900	\$ 2,713,369	\$ 21,735,604

DAVISS COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balances - governmental funds \$ 15,417,045

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 funds:

Cost	\$ 162,959,740	
Accumulated depreciation	<u>(65,445,182)</u>	97,514,558 ✓

Certain assets not available to pay for current period expenditures:

BAB interest subsidy receivable	\$ 26,258	
Accrued interest receivable	32,632	
Deferred bond issuance costs	475,228	
Taxes receivable	<u>263,317</u>	797,435

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

Bonds payable	\$ (63,500,000)	
Issuance premiums	(31,947)	
Issuance discounts	882,696	
Deferred refunding charges	1,633,351	
Capital lease obligations	(1,795,521)	
Compensated absences	(2,517,308)	
Accrued interest payable	<u>(595,489)</u>	<u>(65,924,218) ✓</u>

Net assets of governmental activities \$ 47,804,820

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 21,816,466	\$ -	\$ 4,541,109	\$ 26,357,575
Utility taxes	3,672,853	-	-	3,672,853
Tuition and fees	91,620	-	-	91,620
Earnings on investments	371,632	-	17,209	388,841
Other local revenue	659,157	1,061,021 ✓	-	1,720,178
State aid	58,003,535 ✓	4,314,016 ✓	3,715,415	66,032,966
Federal aid	231,952 ✓	6,199,237 ✓	216,411	6,647,600
Total revenues	84,847,215	11,574,274	8,490,144	104,911,633
Expenditures:				
Instruction	57,328,410	8,446,657	-	65,775,067
Support services:				
Student	2,962,563	735,569	-	3,698,132
Instructional staff	3,145,245	1,333,227	-	4,478,472
District administration	605,999	12,336	-	618,335
School administration	6,630,478	-	-	6,630,478
Business	1,747,796	-	-	1,747,796
Plant operation and maintenance	7,083,643	-	-	7,083,643
Student transportation	7,910,917	410,002	-	8,320,919
Community services	-	822,704	-	822,704
New building construction	-	-	1,094,796	1,094,796
Building renovations / additions	-	-	830,751	830,751
Debt service:				
Principal	-	-	4,766,438	4,766,438
Interest	-	-	2,478,765	2,478,765
Bond issuance costs	-	-	119,976	119,976
Total expenditures	87,415,051 ✓	11,760,495 ✓	9,290,726	108,466,272
Excess (deficit) of revenues over (under) expenditures	(2,567,836)	(186,221)	(800,582)	(3,554,639)
Other financing sources (uses):				
Proceeds from sale of capital assets	209,646	-	-	209,646
Proceeds from issuance of bonds	-	-	-	-
Proceeds from issuance of capital leases	1,011,483	-	-	1,011,483
Refunding bonds issued	-	-	13,925,000	13,925,000
Payment to bond refunding escrow	-	-	(13,725,771)	(13,725,771)
Discount on bonds issued	-	-	(110,711)	(110,711)
Premium on bonds issued	-	-	31,458	31,458
Operating transfers in	2,129,207 ✓	198,940 ✓	7,989,861	10,318,008
Operating transfers out	(210,558) ✓	(71,586) ✓	(9,983,244)	(10,265,388)
Total other financing sources (uses)	3,139,778	127,354	(1,873,407)	1,393,725
Net change in fund balances	571,942	(58,867)	(2,673,989)	(2,160,914)
Fund balance, June 30, 2011	12,161,024 ✓	123,481 ✓	5,293,454	17,577,959
Fund balance, June 30, 2012	\$ 12,732,966	\$ 64,614	\$ 2,619,465	\$ 15,417,045 ✓

DAVISS COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (2,160,914)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense :

Capital outlays	\$ 5,016,972	
Depreciation expense	<u>(5,798,525)</u>	(781,553)

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (1,519,696)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds:

Increase in taxes receivable	\$ 23,739	
Increase in BAB interest subsidy receivable	11,714	
Decrease in accrued interest receivable	<u>(4,849)</u>	30,604

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. Neither transaction, however,
has any effect on net assets. Also, governmental funds report the effect of
issuance costs and similar items when debt is first issued, whereas these
amounts are deferred and amortized in the statement of activities:

Principal payments on bonds	\$ 17,395,000	
Principal payments on notes payable	11,438	
Principal payments on lease obligations	1,203,810	
Proceeds from issuance of bonds	(13,925,000)	
Proceeds from issuance of capital leases	(1,011,483)	
Discount on bonds issued	110,711	
Premium on bonds issued	(31,458)	
Deferred amounts on refunding	1,085,771	
Bond issuance costs	119,976	
Amortization of discounts on debt	(67,418)	
Amortization of premiums on debt	1,625	
Amortization of deferred refunding charges	(196,555)	
Amortization of deferred issuance costs	<u>(41,918)</u>	4,654,499

Certain 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:

Decrease in vacation liability	\$ 50,735	
Increase in accrued sick leave liability	(66,648)	
Decrease in accrued interest payable	<u>76,043</u>	60,130

Change in net assets of governmental activities \$ 283,070

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
ASSETS			
Current assets:			
Cash	\$ 1,426,777	\$ 350,098	\$ 1,776,875
Accounts receivable:			
Operating	-	4,776	4,776
Due from other governments	96,048	-	96,048
Inventory	155,664	-	155,664
Total current assets	<u>1,678,489 ✓</u>	<u>354,874 ✓</u>	<u>2,033,363</u>
Noncurrent assets:			
Capital assets	3,090,341	194,653	3,284,994
Less accumulated depreciation	<u>(2,176,868)</u>	<u>(93,583)</u>	<u>(2,270,451)</u>
Total noncurrent assets	<u>913,473 ✓</u>	<u>101,070 ✓</u>	<u>1,014,543</u>
Total assets	<u>2,591,962</u>	<u>455,944</u>	<u>3,047,906</u>
LIABILITIES			
Current liabilities:			
Accounts payable	44,244	214	44,458
Deferred revenue	65,479	10,061	75,540
Total current liabilities	<u>109,723 ✓</u>	<u>10,275 ✓</u>	<u>119,998</u>
NET ASSETS			
Invested in capital assets	913,473	101,070	1,014,543
Unrestricted	<u>1,568,766</u>	<u>344,599</u>	<u>1,913,365</u>
Total net assets	<u>\$ 2,482,239 ✓</u>	<u>\$ 445,669 ✓</u>	<u>\$ 2,927,908</u>

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Operating revenues:			
Charges for services	\$ 2,450,293	\$ 1,039,881	\$ 3,490,174
Other operating revenues	17,948	1,497	19,445
Total operating revenues	2,468,241 ✓	1,041,378 ✓	3,509,619
Operating expenses:			
Salaries and wages	1,967,394	717,943	2,685,337
Employee benefits	551,223	118,113	669,336
Professional and technical services	15,748	3,043	18,791
Property services	33,423	389	33,812
Other purchased services	174,326	1,920	176,246
Supplies and materials	3,778,607	140,510	3,919,117
Property	34,009	-	34,009
Miscellaneous	12,100	-	12,100
Depreciation	117,876	12,411	130,287
Total operating expenses	6,684,706	994,329	7,679,035
Operating income (loss)	(4,216,465)	47,049	(4,169,416)
Nonoperating revenues (expenses):			
Loss on disposal of capital assets	(3,636)	-	(3,636)
Government grants	3,481,032	48,406	3,529,438
Donated commodities	883,656	-	883,656
Interest income	13,481	4,331	17,812
Total nonoperating revenues (expenses)	4,374,533	52,737	4,427,270
Income before capital contribution and transfers	158,068	99,786	257,854
Capital contribution	-	-	-
Transfers out	(52,620)	-	(52,620)
Change in net assets	105,448	99,786	205,234
Net assets, June 30, 2011	2,376,791	345,883	2,722,674
Net assets, June 30, 2012	\$ 2,482,239	\$ 445,669	\$ 2,927,908

See Notes to Financial Statements

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 2,453,403	\$ 1,036,381	\$ 3,489,784
Other operating revenues	17,948	1,497	19,445
Cash paid to / for:			
Employees	(2,518,617)	(836,056)	(3,354,673)
Supplies	(2,868,241)	(140,510)	(3,008,751)
Other services	(235,013)	(5,138)	(240,151)
Net cash provided by (used in) operating activities	<u>(3,150,520)</u>	<u>56,174</u>	<u>(3,094,346)</u>
Cash flows from noncapital financing activities:			
Government grants	3,496,289	48,406	3,544,695
Transfers out	(52,620)	-	(52,620)
Net cash provided by noncapital financing activities	<u>3,443,669</u>	<u>48,406</u>	<u>3,492,075</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(195,916)	(72,506)	(268,422)
Net cash used in capital and related financing activities	<u>(195,916)</u>	<u>(72,506)</u>	<u>(268,422)</u>
Cash flows from investing activities:			
Interest income	13,481	4,331	17,812
Net cash provided by investing activities	<u>13,481</u>	<u>4,331</u>	<u>17,812</u>
Net increase in cash and cash equivalents	<u>110,714</u>	<u>36,405</u>	<u>147,119</u>
Cash and cash equivalents:			
Beginning of year	<u>1,316,063</u>	<u>313,693</u>	<u>1,629,756</u>
End of year	\$ <u>1,426,777</u>	\$ <u>350,098</u>	\$ <u>1,776,875</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (4,216,465)	\$ 47,049	\$ (4,169,416)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	117,876	12,411	130,287
Commodities used	883,656	-	883,656
Changes in assets and liabilities:			
Accounts receivable - operating	-	(1,922)	(1,922)
Inventory	17,735	-	17,735
Accounts payable	43,568	214	43,782
Deferred revenue	3,110	(1,578)	1,532
Net cash provided by (used in) operating activities	\$ <u>(3,150,520)</u>	\$ <u>56,174</u>	\$ <u>(3,094,346)</u>
Noncash noncapital financing activities:			
Food commodities from the U.S. Department of Agriculture	\$ <u>883,656</u>		

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2012

	Private Purpose Trust Funds	Activity Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 1,442,048
Accounts receivable	-	1,437
Inventory	-	30,221
	<u> </u>	<u> </u>
Total assets	<u> </u>	<u>1,473,706</u>
LIABILITIES		
Accounts payable	-	26,115
Due to General Fund	-	-
Due to student groups	-	1,447,591
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>1,473,706</u>
NET ASSETS	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 1,500 ✓
Deductions:	
Student support services	<u>1,500 ✓</u>
Increase (decrease) in net assets	-
Net assets, June 30, 2011	<u>-</u>
Net assets, June 30, 2012	<u>\$ -</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

1. Reporting Entity

The Daviess County Board of Education (Board) is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Daviess County School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Daviess County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the District itself, such as band boosters and parent-teacher associations. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Daviess County School District Finance Corporation – The Daviess County School District Finance Corporation (Corporation) serves as an agent of the Board in financing the acquisition, construction, and equipping of school buildings and related facilities, including the issuance of bonds. Members of the Board serve as the board of directors for the Corporation. The Corporation has no financial activity, and transactions related to bond issues in which the Corporation acts as an agent are recorded in the District's government-wide financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements -- Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets.

Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances the cash flow needs of its proprietary activities.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

The District has the following funds:

Governmental Fund Types

The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances may be returned to the grantor at the close of the specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Governmental Fund Types, Continued

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

Proprietary Fund Types (Enterprise Funds)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. This is a major fund of the District.

The After School Fund is used to account for after school programs established to provide supervised activities for students after dismissal.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds, 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.

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals and childcare provided at the various schools.

Fiduciary Fund Types

Private Purpose Trust Funds account for assets held by the District in a trustee capacity.

The Activity Funds are agency funds which primarily account for activities of student groups. These funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds. These funds are custodial in nature and thus do not present results of operations or have a measurement focus.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Non-Exchange Transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from Non-Exchange Transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been earned and eligibility requirements are met, are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted resources.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgetary Principles

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary), as opposed to when the obligation is incurred (GAAP).

Encumbrance Accounting

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are included in restricted, committed, or assigned fund balance, as appropriate. For budgetary purposes, appropriations lapse at fiscal year-end and do not constitute expenditures or liabilities because the commitments will be reappropriated in the next year.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectable accounts are based upon historical trends. Major receivable balances for the governmental activities include federal and state funding and taxes. Amounts on the statements are net of allowance for doubtful accounts.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Inventories

Inventory in the General Fund consists of maintenance, instructional, and transportation supplies, stated at cost using the first-in, first-out (FIFO) method. Inventory in the Food Service Fund consists of purchased food valued at cost, and donated commodities valued by the U.S. Department of Agriculture at fair market value on the date of donation, using the FIFO method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at fair market value as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10-20 years
Food service equipment	12 years

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and personal property in the District. Taxes are due in one installment on December 1 and become delinquent by January 1 following the levy date.

The assessed value of the roll on January 1, 2011, on which the levy for the 2012 fiscal year was based, totaled \$4,541,108,212. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The tax rates assessed for the year ended June 30, 2012, to finance General Fund and FSPK Building Fund operations were 47.0 cents and 11.6 cents per \$100 valuation, respectively, for a total of 58.6 cents per \$100 valuation. In addition, the tax rate assessed for motor vehicles totaled 49.0 cents per \$100 valuation.

The District also levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishing within the county of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

Interfund Receivables and Payables

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. During the year the General Fund receives and disburses funds that relate to other funds or activities. Transfers are then made between the various funds to more properly reflect the nature of the transactions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

2. Summary of Significant Accounting Policies, Continued

Fund Balance Classification

The District reports fund balances in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

In the General Fund, the District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP basis expenditures and other financing sources and uses.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

3. Deposits and Investments

Deposits

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

The District maintains a common checking account for all governmental funds and the trust fund. The Food Service Fund and After School Fund (proprietary funds) each maintain separate bank accounts.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At June 30, 2012, the District's bank balances were collateralized by irrevocable, unconditional, nontransferable letters of credit issued by the Federal Home Loan Bank and FDIC Insurance. The letters of credit expire January 2013.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

Investments

The District may legally invest in certificates of deposit and other interest bearing accounts insured by the Federal Deposit Insurance Corporation (FDIC), uncollateralized certificates of deposit rated in one of the three highest categories by a nationally recognized rating agency; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government, bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency and certain mutual funds as more fully described in KRS 66.480. All of the investments of the District are held in U.S. government agency obligations, which carry the explicit guarantee of the U.S. government.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

3. Deposits and Investments, Continued

Investments, Continued

At June 30, 2012, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years				
		Less Than 1	1-5	6-10	10+	None
U.S. treasury bonds and notes	\$ 1,795,828	\$ 522,265	\$ -	\$ 277,443	\$ 996,120	\$ -
U.S. agencies obligations	1,691,395	-	1,069,503	245,514	376,378	-
Corporate notes	136,137	136,137	-	-	-	-
U.S. savings bonds	99,448	-	99,448	-	-	-
Bank certificates of deposit	301,692	-	301,692	-	-	-
Mutual funds	1,022,761	-	-	-	-	1,022,761
	<u>\$ 5,047,261</u>	<u>\$ 658,402</u>	<u>\$ 1,470,643</u>	<u>\$ 522,957</u>	<u>\$ 1,372,498</u>	<u>\$ 1,022,761</u>

Concentration of Credit Risk

The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper, and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2012, the District did not exceed this limit. In addition, amounts invested in any one issuer did not exceed 5% of total investments at fiscal year-end.

Investment Earnings

Investment earnings for the year ended June 30, 2012, consisted of:

Governmental activities:

Interest and dividend income	\$ 368,365
Net decrease in fair value of investments	40,742
Realized loss on sale of investments	(14,922)
Investment expenses	(10,193)
	<u>383,922</u>

Business-type activities:

Interest and dividend income	<u>17,812</u>
	<u>\$ 401,804</u>

Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a net change in the fair value of investments reported in prior years and the current year.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

4. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,505,980	\$ -	\$ (10,875)	\$ 3,495,105
Construction in progress	<u>10,223,635</u>	<u>1,334,031</u>	<u>(11,557,666)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>13,729,615</u>	<u>1,334,031</u>	<u>(11,568,541)</u>	<u>3,495,105</u>
Capital assets, being depreciated:				
Land improvements	2,678,544	179,027	(69,291)	2,788,280
Buildings and improvements	122,884,342	11,378,639	(2,481,088)	131,781,893
Technology equipment	9,658,059	2,113,140	(1,201,942)	10,569,257
Vehicles	9,413,483	1,354,188	(787,613)	9,980,058
General equipment	<u>4,138,553</u>	<u>215,613</u>	<u>(9,019)</u>	<u>4,345,147</u>
Totals capital assets, being depreciated	<u>148,772,981</u>	<u>15,240,607</u>	<u>(4,548,953)</u>	<u>159,464,635</u>
Less accumulated depreciation:				
Land improvements	(1,774,147)	(94,781)	38,800	(1,830,128)
Buildings and improvements	(45,785,772)	(3,337,909)	1,192,723	(47,930,958)
Technology equipment	(6,829,964)	(1,396,272)	1,014,445	(7,211,791)
Vehicles	(5,701,636)	(685,505)	787,613	(5,599,528)
General equipment	<u>(2,595,270)</u>	<u>(284,058)</u>	<u>6,551</u>	<u>(2,872,777)</u>
Total accumulated depreciation	<u>(62,686,789)</u>	<u>(5,798,525)</u>	<u>3,040,132</u>	<u>(65,445,182)</u>
Total capital assets, being depreciated, net	<u>86,086,192</u>	<u>9,442,082</u>	<u>(1,508,821)</u>	<u>94,019,453</u>
Governmental activities:				
Capital assets, net	<u>\$ 99,815,807</u>	<u>\$ 10,776,113</u>	<u>\$ (13,077,362)</u>	<u>\$ 97,514,558</u>
Business-type activities:				
Capital assets, being depreciated:				
Land improvements	\$ 15,452	\$ -	\$ -	\$ 15,452
Technology equipment	294,468	68,290	(9,277)	353,481
Vehicles	18,557	-	-	18,557
General equipment	<u>2,742,466</u>	<u>200,132</u>	<u>(45,094)</u>	<u>2,897,504</u>
Total capital assets, being depreciated	<u>3,070,943</u>	<u>268,422</u>	<u>(54,371)</u>	<u>3,284,994</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

4. Capital Assets, Continued

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012
<u>Business-type activities, Continued:</u>				
Less accumulated depreciation:				
Land improvements	(4,637)	(773)	-	(5,410)
Technology equipment	(278,524)	(10,662)	9,277	(279,909)
Vehicles	(18,557)	-	-	(18,557)
General equipment	<u>(1,889,181)</u>	<u>(118,852)</u>	<u>41,458</u>	<u>(1,966,575)</u>
 Total accumulated depreciation	 <u>(2,190,899)</u>	 <u>(130,287)</u>	 <u>50,735</u>	 <u>(2,270,451)</u>
 Business-type activities:				
Capital assets, net	<u>\$ 880,044</u>	<u>\$ 138,135</u>	<u>\$ (3,636)</u>	<u>\$ 1,014,543</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,248,391
Support services:	
Student	36
Instructional staff	4,253
District administration	87,472
School administration	1,124
Business support	278
Plant operations and maintenance	1,795,806
Student transportation	<u>661,165</u>
 Total depreciation expense	 <u>\$ 5,798,525</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 66,970,000	\$ 13,925,000	\$ (17,395,000)	\$ 63,500,000	\$ 4,935,000
Deferred amounts:					
For issuance premiums	2,114	31,458	(1,625)	31,947	-
For issuance discounts	(839,403)	(110,711)	67,418	(882,696)	-
On refunding	(744,135)	(1,085,771)	196,555	(1,633,351)	-
Note payable	11,438	-	(11,438)	-	-
Capital lease obligations	<u>1,987,848</u>	<u>1,011,483</u>	<u>(1,203,810)</u>	<u>1,795,521</u>	<u>830,461</u>
 Total long-term debt	 <u>67,387,862</u>	 <u>13,771,459</u>	 <u>(18,347,900)</u>	 <u>62,811,421</u>	 <u>5,765,461</u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

5. Long-Term Liabilities, Continued

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Compensated absences:					
Accrued vacation pay	50,735	-	(50,735)	-	-
Accrued sick leave	2,450,660	515,659	(449,011)	2,517,308	437,792
Total compensated absences	2,501,395	515,659	(499,746)	2,517,308	437,792
Total long-term liabilities	\$ 69,889,257	\$ 14,287,118	\$ (18,847,646)	\$ 65,328,729	\$ 6,203,253

Compensated absences are generally liquidated by the General Fund.

School Building Revenue Bonds

The District is obligated to make lease payments in amounts equal to annual debt service requirements on bonds issued by the Daviess County Fiscal Court, the Daviess County School District Finance Corporation and the Kentucky School Facility Construction Commission (Commission) to construct or renovate school facilities. The Board has an option to purchase the properties at any time by retiring the bonds outstanding. These lease payments are recorded in the Debt Service Funds.

In addition, the District has entered into participation agreements with the Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

A summary of District and Commission bond activity for the year ended June 30, 2012, is as follows:

	<u>District</u>	<u>Commission</u>	<u>Total</u>
Balance, June 30, 2011	\$ 66,655,239	\$ 314,761	\$ 66,970,000
Issued	13,925,000	-	13,925,000
Defeased	(12,640,000)	-	(12,640,000)
Retired	(4,680,669)	(74,331)	(4,755,000)
Balance, June 30, 2012	\$ 63,259,570	\$ 240,430	\$ 63,500,000

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

A summary of the interest rates, maturities, and balances as of June 30, 2012, is as follows:

	Range of Interest Rates	Final Maturity	Balance, June 30, 2012		
			District	Commission	Total
2002A Issue	2.00 – 4.400%	2012	\$ 230,000	\$ -	\$ 230,000
2002B Issue	2.00 – 3.750%	2014	1,220,000	-	1,220,000
2003 Issue	1.65 – 4.000%	2023	445,000	-	445,000
2004A Issue	2.00 – 3.625%	2015	489,475	60,525	550,000
2004B Issue	2.00 – 3.625%	2016	4,755,000	-	4,755,000
2004C Issue	2.00 – 5.000%	2024	880,000	-	880,000
2005A Issue	3.00 – 4.400%	2025	1,855,000	-	1,855,000
2005B Issue	3.50 – 3.750%	2017	1,365,095	179,905	1,545,000
2006 Issue	4.21%	2026	2,585,000	-	2,585,000
2007A Issue	4.21%	2027	3,265,000	-	3,265,000
2007B Issue	4.00 – 4.500%	2027	10,525,000	-	10,525,000
2008A Issue	3.00 – 3.400%	2020	2,615,000	-	2,615,000
2008B Issue	3.00 – 3.750%	2028	5,370,000	-	5,370,000
2010A Issue	1.70 – 5.500%	2030	2,215,000	-	2,215,000
2010B Issue	0.80 – 5.500%	2030	11,610,000	-	11,610,000
2011 Issue	0.75 – 2.125%	2023	9,935,000	-	9,935,000
2012 Issue	2.00 – 2.500%	2024	3,900,000	-	3,900,000
			<u>\$ 63,259,570</u>	<u>\$ 240,430</u>	<u>\$ 63,500,000</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as follows:

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

Year Ending June 30,	Davieess County School District			Kentucky School Facility Construction Commission			Total
	Principal	Interest	District Total	Principal	Interest	Commission Total	
2013	\$ 4,886,382	\$ 2,591,570	\$ 7,477,952	\$ 48,618	\$ 8,316	\$ 56,934	\$ 7,534,886
2014	4,739,730	2,438,227	7,177,957	50,270	6,665	56,935	7,234,892
2015	4,282,941	2,280,616	6,563,557	52,059	4,876	56,935	6,620,492
2016	4,411,528	2,134,197	6,545,725	48,472	3,089	51,561	6,597,286
2017	3,703,989	1,978,960	5,682,949	41,011	1,538	42,549	5,725,498
2018- 2022	20,330,000	7,506,915	27,836,915	-	-	-	27,836,915
2023- 2027	16,730,000	2,921,184	19,651,184	-	-	-	19,651,184
2028- 2030	4,175,000	351,930	4,526,930	-	-	-	4,526,930
	<u>\$ 63,259,570</u>	<u>\$ 22,203,599</u>	<u>\$ 85,463,169</u>	<u>\$ 240,430</u>	<u>\$ 24,484</u>	<u>\$ 264,914</u>	<u>\$ 85,728,083</u>

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The amount of interest expense on bonds payable for the year ended June 30, 2012, totaled \$2,709,024, of which \$2,470,438 was paid by the District, \$10,460 was paid by the Commission, and \$228,126 subsidized under the Build America Bond program discussed below.

In September 2011, the District issued \$10,000,000 in Refunding Revenue Bonds to advance refund \$9,150,000 of outstanding 2003 series bonds. The proceeds, less a discount of \$88,672 and issuance costs of \$76,600, were used to purchase \$9,831,045 in U.S. government securities and \$3,683 in cash. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for the defeasance of the 2003 bond series scheduled to begin maturity on August 1, 2016. As a result, the 2003 bond series is considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The District advance refunded the 2003 series bonds to reduce its total debt service payments over the next 12 years by approximately \$739,766 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$652,653.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

In December 2011, the District issued \$3,925,000 in Refunding Revenue Bonds to advance refund \$3,490,000 of outstanding 2004C series bonds. The proceeds, plus a net premium of \$9,419, less insurance costs of \$43,376, were used to purchase of \$3,890,161 in U.S. government securities and \$882 in cash. Those securities and cash were deposited in an irrevocable trust with an escrow agent to provide for the defeasance of the 2004C bond series scheduled to begin maturity on June 1, 2016. As a result, the 2004C bond series is considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The District advance refunded the 2004C series bonds to reduce its total debt service payments over the next 12 years by approximately \$373,171 and to obtain an economic gain (difference between present value of the debt service payments on the old and new debt) of approximately \$330,591.

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$23,145,000 of bonds outstanding are considered defeased.

In connection with the American Recovery and Reinvestment Act of 2009 (Act), the District issued the Series 2010A and Series 2010B General Obligation Build America Bonds. Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. The interest subsidy for fiscal year 2012 totaled \$228,126. Remaining interest subsidies through maturity of the bonds are as follows:

Year Ending June 30:	
2013	\$ 213,270
2014	208,998
2015	203,950
2016	197,928
2017	191,028
2018-2022	809,436
2023-2027	498,784
2028-2030	110,484
	<hr/>
	\$ 2,433,878

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

5. Long-Term Liabilities, Continued

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2012, totaled \$1,303,010, net of accumulated depreciation of \$1,706,775. Amortization of these capital leases included in depreciation expense totaled \$447,152 for the year ended June 30, 2012. The following is a schedule by year of future minimum lease payments under capital lease obligations including interest at rates of 3,411% to 7.474%, together with the present value of the future minimum lease payments as of June 30, 2012:

2013	\$	897,015
2014		589,951
2015		354,187
2016		<u>69,955</u>
Total minimum lease payments		1,911,108
Less amount representing interest		<u>115,587</u>
Present value of future minimum lease payments	\$	<u>1,795,521</u>

Interest expense on capital lease obligations for the year ended June 30, 2012, totaled \$98,236.

Compensated Absences

Upon retirement, as defined by the Kentucky Teachers' Retirement System or the County Employees Retirement System, certified and classified employees received an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. This liability totaled \$2,517,308 at June 30, 2012, and is recorded as a long-term liability in the district-wide financial statements.

For governmental fund financial statements, the amount of compensated absences recorded as a liability would be the amount expected to be paid using expendable available resources. These obligations for June 30, 2012, were paid prior to fiscal year end and, therefore, no amount has been accrued in the governmental fund financial statements.

6. Interfund Receivables and Payables

There were no interfund balances at June 30, 2012.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

7. Leases

The Daviess County School District leases equipment and vehicles under cancelable operating leases. Commitments under operating lease agreements described above provide for minimum future rental payments as of June 30, 2012, as follows:

Year ending June 30:	
2013	\$ 123,461
2014	97,316
2015	30,902
2016	<u>16,055</u>
Total minimum rentals	\$ <u>267,734</u>

Rental expense for all operating leases, including contingent rentals on a per copy basis of \$138,685, totaled \$278,441 for the year ended June 30, 2012.

8. Defined Benefit Retirement Plans

KTRS Plan Description: Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Kentucky. KTRS provides retirement and post-retirement healthcare benefits to plan members. Kentucky Revised Statutes Chapter 161, sections 220 through 900, assigns the authority to establish and amend benefit provisions to the Board of Trustees of the Teachers' Retirement System of the State of Kentucky. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for KTRS. That report may be obtained by writing to KTRS, 479 Versailles Road, Frankfort, KY 40601-3800, or by calling 502-573-3266.

KTRS Funding Policy: Required contributions as a percentage of annual creditable compensation are as follows:

	Employed prior to July 1, 2008	Employed on or after July 1, 2008
Plan members	10.355%	10.855%
Commonwealth of Kentucky:		
Employees not working in federal programs	13.605%	14.105%
District:		
Employees working in federal programs	13.605%	14.105%
Employees not working in federal programs	0.50%	0.50%

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

8. **Defined Benefit Retirement Plans, Continued**

Amounts contributed by the District for the years ended June 30, 2012, 2011, and 2010, totaled \$620,431, \$627,025, and \$513,150, respectively, and equaled the required contributions for each year. The contribution requirements of plan members and the Commonwealth of Kentucky are established and may be amended by the Board of Trustees of the Teachers' Retirement System of the State of Kentucky.

KTRS On-behalf Payments: The District has recorded the 13.605% and 14.105% contributions made by the Commonwealth of Kentucky totaling \$6,111,790 in the district-wide financial statements.

CERS Plan Description: Classified personnel participate in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems. CERS provides retirement, disability, and death benefits to plan members, and under certain circumstances, to beneficiaries. Kentucky Revised Statute section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by calling 502-564-4646.

CERS Funding Policy: Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% of their annual creditable compensation. For plan members who began participating in CERS on or after September 1, 2008, this contribution rate is 6%. The District is required to contribute at an actuarially determined rate. The current rate is 18.96% of each employee's creditable compensation. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees of Kentucky Retirement Systems. Contributions to CERS for the years ended June 30, 2012, 2011, and 2010 totaled \$2,814,788, \$2,549,281, and \$2,429,300, respectively, and equaled the required contributions for each year.

9. **On-Behalf Payments**

Payments are made by the Commonwealth of Kentucky for fringe benefits on behalf of District employees. As directed by the Kentucky Department of Education, these on-behalf payments are not budgeted in the governmental funds by the District, but have been recorded as revenue and expense in the governmental funds, and are as follows:

Health and life insurance	\$ 9,457,130
KTRS contributions	6,111,790
Flex spending	1,009,848
State life insurance	26,131
Technology	204,728
	<u>\$ 16,809,627</u> ✓

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

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; injuries to employees; and natural disasters. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	<u>Transfers in:</u>					
	<u>Major Governmental Funds</u>		<u>Nonmajor Governmental Funds</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>FSPK Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>Transfers out:</u>						
Major Governmental Funds:						
General Fund	\$ -	\$ 198,940	\$ -	\$ -	\$ 11,618	\$ 210,558
Special Revenue Fund	71,586	-	-	-	-	<u>71,586</u>
						<u>282,144</u>
Nonmajor Funds:						
SEEK Capital Outlay Fund	198,939	-	796,043	-	-	994,982
FSPK Building Fund	1,806,062	-	-	252,878	6,929,322	<u>8,988,262</u>
						<u>9,983,244</u>
Enterprise Fund:						
Food Service Fund	<u>52,620</u>	-	-	-	-	<u>52,620</u>
	<u>\$ 2,129,207</u>	<u>\$ 198,940</u>	<u>\$ 796,043</u>	<u>\$ 252,878</u>	<u>\$ 6,940,940</u>	<u>\$ 10,318,008</u>

Transfers are used to: 1) move revenues from the fund with collection authorization to the funds where budgetary authorizations exist for disbursement; 2) reimburse the General Fund for costs incurred to support proprietary fund activity; and 3) to move unrestricted General Fund revenues to programs accounted for in other funds for which the General Fund provides subsidies or matching funds.

12. Contingencies

The District receives funding from Federal, state and local government agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

12. Contingencies, Continued

for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

13. Fund Balance Classifications

The composition of the fund balance classifications at June 30, 2012, is as follows:

	Major Governmental Funds		Nonmajor Governmental Funds		Total Governmental Funds	Total
	General Fund	Special Revenue Fund	FSPK Building Fund	Construction Fund		
Fund balances:						
Nonspendable:						
Inventory	\$ 285,734	\$ -	\$ -	\$ -	\$ -	\$ 285,734
Restricted for:						
Future capital needs	-	-	1,774,652	-	1,774,652	1,774,652
Technology	-	64,614	-	-	-	64,614
	<u>-</u>	<u>64,615</u>	<u>1,774,652</u>	<u>-</u>	<u>1,774,652</u>	<u>1,839,266</u>
Committed:						
Site-based carryforward	94,549	-	-	-	-	94,549
Assigned:						
Future construction	-	-	-	674,408	674,408	674,408
Purchase obligations	70,934	153,359	-	170,405	170,405	394,698
	<u>70,934</u>	<u>153,359</u>	<u>-</u>	<u>844,813</u>	<u>844,813</u>	<u>1,069,106</u>
Unassigned:	<u>12,281,749</u>	<u>(153,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,128,390</u>
Total fund balances	\$ <u>12,732,966</u>	\$ <u>64,614</u>	\$ <u>1,774,652</u>	\$ <u>844,813</u>	\$ <u>2,619,465</u>	\$ <u>15,417,045</u>

NOTE:

The District has \$394,698 of encumbrances of operating funds in major and nonmajor funds at June 30, 2012, rolled over into the next fiscal year.

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 21,508,966	\$ 21,508,966	\$ 21,816,466	\$ 307,500
Utility taxes	3,500,000	3,500,000	3,672,853	172,853
Tuition and fees	100,000	100,000	91,620	(8,380)
Earnings on investments	250,000	250,000	371,632	121,632
Other local revenue	715,500	715,500	659,157	(56,343)
State aid	40,980,513	41,187,693	58,003,535	16,815,842
Federal aid	130,000	130,000	231,952	101,952
Total revenues	67,184,979	67,392,159	84,847,215	17,455,056
Expenditures:				
Instruction	45,975,551	45,739,253	57,328,410	(11,589,157)
Support services:				
Student	2,463,235	2,470,085	2,962,563	(492,478)
Instructional staff	3,054,691	3,056,591	3,145,245	(88,654)
District administration	8,692,266	8,643,091	605,999	8,037,092
School administration	5,267,378	5,517,982	6,630,478	(1,112,496)
Business	1,526,937	1,720,237	1,747,796	(27,559)
Plant operation and maintenance	6,026,577	7,189,173	7,083,643	105,530
Student transportation	6,239,570	7,121,974	7,910,917	(788,943)
Community services	-	-	-	-
Building renovations / additions	-	-	-	-
Total expenditures	79,246,205	81,458,386	87,415,051	(5,956,665)
Excess (deficit) of revenues over expenditures	(12,061,226)	(14,066,227)	(2,567,836)	11,498,391
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	15,000	209,646	194,646
Proceeds from issuance of capital leases	-	-	1,011,483	1,011,483
Operating transfers in	155,203	2,160,203	2,129,207	(30,996)
Operating transfers out	(270,000)	(270,000)	(210,558)	59,442
Total other financing sources (uses)	(99,797)	1,905,203	3,139,778	1,234,575
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	(12,161,023)	(12,161,024)	571,942	12,732,966
Fund balance, June 30, 2011	11,894,703	12,161,024	12,161,024	-
Fund balance, June 30, 2012	\$ (266,320)	\$ -	\$ 12,732,966	\$ 12,732,966

NOTE 1: A reconciliation between the budgetary basis of accounting and generally accepted accounting principles is presented on page 46.

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local revenue	\$ 655,705	\$ 668,205	\$ 1,061,021	\$ 392,816
State aid	3,731,387	3,847,787	4,314,016	466,229
Federal aid	5,824,232	5,987,466	6,199,237	211,771
Total revenues	<u>10,211,324</u>	<u>10,503,458</u>	<u>11,574,274</u>	<u>1,070,816</u>
Expenditures:				
Instruction	7,587,401	7,471,026	8,446,657	(975,631)
Support services:				
Student	654,514	665,481	735,569	(70,088)
Instructional staff	950,925	1,217,243	1,333,227	(115,984)
District administration	9,560	9,552	12,336	(2,784)
Plant operation and maintenance	5,736	5,731	-	5,731
Student transportation	438,550	409,000	410,002	(1,002)
Community services	754,435	833,873	822,704	11,169
Total expenditures	<u>10,401,121</u>	<u>10,611,906</u>	<u>11,760,495</u>	<u>(1,148,589)</u>
Excess (deficit) of revenues over expenditures	<u>(189,797)</u>	<u>(108,448)</u>	<u>(186,221)</u>	<u>(77,773)</u>
Other financing sources (uses):				
Operating transfers in	270,000	198,940	198,940	-
Operating transfers out	<u>(80,203)</u>	<u>(90,492)</u>	<u>(71,586)</u>	<u>18,906</u>
Total other financing sources (uses)	<u>189,797</u>	<u>108,448</u>	<u>127,354</u>	<u>18,906</u>
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	-	-	(58,867)	(58,867)
Fund balance, June 30, 2011	<u>123,481</u>	<u>123,481</u>	<u>123,481</u>	-
Fund balance, June 30, 2012	<u>\$ 123,481</u>	<u>\$ 123,481</u>	<u>\$ 64,614</u>	<u>\$ (58,867)</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

Reconciliation Between the Budgetary Basis of Accounting and GAAP

A basis difference exists in the General Fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District, relating to on-behalf payments for fringe benefits. Although required by GAAP, on-behalf payments are not budgeted in the governmental funds of the District, as directed by the Kentucky Department of Education. Line item differences are as follows:

	General Fund		Difference
	Budget Basis	GAAP Basis	
Revenues:			
State aid	\$ 41,187,693	\$ 57,997,319	\$ (16,809,626)
Expenditures:			
Instruction	\$ 45,739,253	\$ 57,726,024	\$ (11,986,771)
Support services:			
Student	2,470,085	3,055,365	(585,280)
Instructional staff	3,056,591	3,643,743	(587,152)
District administration	8,643,091	8,666,127	(23,036)
School administration	5,517,982	6,863,241	(1,345,259)
Business	1,720,237	2,157,390	(437,153)
Plant operations and maintenance	7,189,173	8,060,999	(871,826)
Student transportation	7,121,974	8,095,123	(973,149)
	\$ 81,458,386	\$ 98,268,012	\$ (16,809,626)

DAVISS COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,774,652	\$ 938,717	\$ -	\$ 2,713,369
Accounts receivable:					
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ - ✓</u>	<u>\$ 1,774,652 ✓</u>	<u>\$ 938,717 ✓</u>	<u>\$ - ✓</u>	<u>\$ 2,713,369</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 93,904	\$ -	\$ 93,904
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>- ✓</u>	<u>- ✓</u>	<u>93,904 ✓</u>	<u>- ✓</u>	<u>93,904</u>
Fund balances:					
Restricted	-	1,774,652 ✓	674,408 ✓	-	2,449,060
Assigned	<u>-</u>	<u>-</u>	<u>170,405 ✓</u>	<u>-</u>	<u>170,405</u>
Total fund balances	<u>- ✓</u>	<u>1,774,652</u>	<u>844,813</u>	<u>- ✓</u>	<u>2,619,465</u>
Total liabilities and fund balances \$	<u>-</u>	<u>\$ 1,774,652</u>	<u>\$ 938,717</u>	<u>\$ -</u>	<u>\$ 2,713,369</u>

DAVISS COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ 4,541,109	\$ -	\$ -	\$ 4,541,109
Earnings on investments	-	5,000	12,209	-	17,209
Other local revenue	-	-	-	-	-
State aid	994,982	2,635,642	-	84,791	3,715,415
Federal aid	-	-	-	216,411	216,411
Total revenues	994,982	7,181,751	12,209	301,202	8,490,144
Expenditures:					
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
New building construction	-	5,683	1,089,113	-	1,094,796
Building renovations / additions	-	-	830,751	-	830,751
Debt service:					
Principal	-	-	-	4,766,438	4,766,438
Interest	-	3,061	-	2,475,704	2,478,765
Bond issuance costs	-	-	-	119,976	119,976
Total expenditures	-	8,744	1,919,864	7,362,118	9,290,726
Excess (deficit) of revenues over (under) expenditures	994,982	7,173,007	(1,907,655)	(7,060,916)	(800,582)
Other financing sources (uses):					
Refunding bonds issued	-	-	-	13,925,000	13,925,000
Payment to bond refunding escrow	-	-	-	(13,725,771)	(13,725,771)
Discount on bonds issued	-	-	-	(110,711)	(110,711)
Premium on bonds issued	-	-	-	31,458	31,458
Operating transfers in	-	796,043	252,878	6,940,940	7,989,861
Operating transfers out	(994,982)	(8,988,262)	-	-	(9,983,244)
Total other financing sources (uses)	(994,982)	(8,192,219)	252,878	7,060,916	(1,873,407)
Net change in fund balances	-	(1,019,212)	(1,654,777)	-	(2,673,989)
Fund balance, June 30, 2011	-	2,793,864	2,499,590	-	5,293,454
Fund balance, June 30, 2012	\$ -	\$ 1,774,652	\$ 844,813	\$ -	\$ 2,619,465

DAVISS COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
Apollo High	\$ 358,552	\$ 837,196	\$ 870,301	\$ 325,447	\$ 18	\$ 17,801	\$ 17,627	\$ 325,639
Audubon Elementary	50,458	86,566	102,012	35,012	-	244	-	35,256
Beacon Central	12,159	13,560	14,077	11,642	-	-	-	11,642
Burns Elementary	19,524	82,987	80,368	22,143	-	56	-	22,199
Burns Middle	124,329	266,333	234,269	156,393	-	1,004	-	157,397
College View Middle	91,140	268,791	273,209	86,722	-	176	-	86,898
Country Heights Elementary	30,886	114,248	98,225	46,909	-	-	-	46,909
Daviness County High	285,574	1,321,141	1,326,557	280,158	626	9,338	4,144	285,978
Daviness County Middle	52,584	263,278	237,909	77,953	-	-	4,344	73,609
Deer Park Elementary	46,090	57,893	43,548	60,435	701	-	-	61,136
East View Elementary	26,637	66,977	76,479	17,135	-	467	-	17,602
Highland Elementary	74,808	177,117	159,044	92,881	-	1,092	-	93,973
Meadow Lands Elementary	23,514	145,577	135,335	33,756	-	-	-	33,756
Sorgho Elementary	58,731	143,835	138,408	64,158	92	-	-	64,250
Southern Oaks Elementary	41,277	66,765	59,745	48,297	-	-	-	48,297
Tamarack Elementary	21,857	53,095	56,849	18,103	-	-	-	18,103
West Louisville Elementary	22,668	36,678	27,859	31,487	-	-	-	31,487
Whitesville Elementary	28,530	88,128	83,241	33,417	-	43	-	33,460
	<u>\$ 1,369,318</u>	<u>\$ 4,090,165</u>	<u>\$ 4,017,435</u>	<u>\$ 1,442,048</u>	<u>\$ 1,437</u>	<u>\$ 30,221</u>	<u>\$ 26,115</u>	<u>\$ 1,447,591</u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
General Fund	\$ 4,296	\$ 36	\$ 2,183	\$ (823)	\$ 1,326	\$ -	\$ -	\$ -	\$ 1,326
Office	1,860	100	13,085	11,125	-	-	-	-	-
AHS Alumni	10	-	-	-	10	-	-	-	10
AP Exams	2,211	25,583	25,141	-	2,653	-	-	-	2,653
Barquet	-	1,800	1,056	(744)	-	-	-	-	-
Band Uniforms	107	-	-	-	107	-	-	-	107
Graduation	-	-	8,650	8,650	-	-	-	-	-
Prom	-	8,545	9,333	788	-	-	-	-	-
Computer	1,251	-	-	-	1,251	-	-	-	1,251
Contingency	27,632	-	32,495	43,981	39,118	-	-	-	39,118
Fundraiser	2,000	13,340	2,546	(9,437)	3,357	-	-	-	3,357
Guidance	5,504	1,514	2,245	1,556	6,329	-	-	-	6,329
International Baccal	2,829	-	-	(2,829)	-	-	-	-	-
Intramural	67	33	88	-	12	-	-	-	12
Interest	-	4,734	-	(4,734)	-	-	-	-	-
Locks	304	65	-	-	369	-	-	-	369
Necessities	226	-	-	-	226	-	-	-	226
Over Your Head	1,512	657	531	83	1,721	-	-	-	3,360
Project Graduation	296	6,396	7,490	875	77	-	1,639	-	77
Renaissance	178	726	6,759	5,855	-	-	-	-	-
Challenger	721	2,037	431	407	2,734	-	-	370	2,364
Video Yearbook	3,398	1,216	3,412	-	1,202	-	-	-	1,202
Career Options	226	-	-	162	388	-	-	-	388
Yearbook	23,535	15,127	12,773	121	26,010	-	-	-	26,010
Student Assistance	1,756	2,689	1,701	741	3,485	-	-	-	3,485
Student Vending	653	2,564	2,534	-	683	-	-	-	683
Adult Vending	-	1,265	3,120	1,855	-	-	-	-	-
Adult Script	-	2,768	3,081	313	-	-	-	-	-
Athletic Director	-	960	2,557	1,728	131	-	-	-	131
Boys Basketball	1,906	2,685	14,448	12,171	2,314	-	-	595	1,719
Athletic Booster	1,000	60,697	48,886	(12,299)	512	-	2,128	-	2,640
Baseball/L/T	11,926	31,538	8,382	(23,400)	11,682	-	-	-	11,682
Baseball	1,479	3,309	33,368	28,639	59	-	-	-	59
Boys Cross Country	296	6,514	5,906	1,598	2,502	-	-	-	2,502
Boys Cross Country L/T	849	-	-	-	849	-	-	-	849
Girls Cross Country	2,244	1,650	2,705	1,536	2,725	-	-	-	2,725
Girls Cross Country L/T	467	-	-	-	467	-	-	-	467
Cheerleaders	14,412	23,807	35,407	4,769	7,581	-	-	7,539	42
E-Gals	6,525	15,017	16,055	(30)	5,457	-	-	-	5,457
Eag/ettes	3,672	26,232	26,126	1,706	5,484	-	-	-	5,484

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
	-	15,204	35,983	20,779	-	-	-	741	(741)
Field Maintenance	362	-	-	-	362	-	-	-	362
General Athletics	11,760	1,307	18,763	6,638	942	-	-	-	942
Girls Basketball	5,118	3,464	14,426	8,581	2,737	-	-	595	2,142
Girls Golf	342	100	1,586	1,254	110	-	-	-	110
Boys Golf	826	-	2,218	1,475	83	-	-	-	83
Gate	-	100,720	17,274	(83,446)	-	-	-	-	-
Girls Track	283	1,094	3,474	2,565	468	-	-	-	468
Softball	2,249	8,508	19,718	10,134	1,173	-	-	-	1,173
Softball L/T	2,184	-	-	(1,000)	1,184	-	-	-	1,184
Girls Soccer	-	9,252	10,159	907	-	-	-	-	-
Boys Soccer	-	16,235	23,146	6,911	-	-	-	150	(150)
Sports Programs	-	251	258	7	-	-	-	-	-
AA Sports Prog. Ads	1,145	3,930	615	(3,412)	1,048	-	-	-	1,048
Supply Store	1,000	14,527	16,098	1,071	500	14,034	-	-	14,534
AA Spring Season	-	12,013	6,118	(5,895)	-	-	-	-	-
Swim Team/G&B	736	2,304	4,263	2,334	1,111	-	-	-	1,111
Tennis/B&G	1,850	4,001	9,473	4,294	672	-	-	-	672
District Tourney Girls	-	2,516	1,932	(584)	-	-	-	-	-
Boys Track	1,302	3,813	9,132	4,017	-	-	-	-	-
Holiday Tournament	-	8,494	10,429	1,935	-	-	-	-	-
Athletic Vending	-	1,740	150	(1,590)	-	-	-	-	-
Volleyball	7,519	13,833	20,701	475	1,126	-	-	-	1,126
Wrestling	419	375	2,590	4,338	2,542	-	-	-	2,542
AA V Slamdwn Tournt	-	10,380	8,375	(1,130)	875	-	-	-	875
AA Reg. Tourn. Boys	-	-	808	808	-	-	-	-	-
Track City/County	-	389	452	63	-	-	-	-	-
Art Club	88	-	-	-	88	-	-	-	88
Beta	196	2,539	3,146	686	275	-	-	-	275
Chess	96	-	-	(96)	-	-	-	-	-
Drama	7,491	8,526	8,089	(6,391)	1,537	-	-	-	1,537
Council For Ex Child	2,061	4,277	3,688	(125)	2,525	-	-	-	2,525
FFA Alumni	4,959	-	-	-	4,959	-	-	-	4,959
FBLA	2,440	7,924	7,998	-	2,366	-	-	-	2,366
FCA	469	680	1,146	-	3	-	-	-	3
Future Ed of America	193	-	-	-	193	-	-	-	193
FFA	-	22,033	26,018	3,985	-	-	-	2,920	(2,920)
FCCLA	432	165	307	-	290	-	-	-	290
Strategic Gaming	601	765	163	(686)	517	-	-	-	517
Habitat	240	330	550	-	20	-	-	-	20
Ayl Academy	383	501	-	(800)	84	-	-	-	84

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
Academic Team	679	854	870	-	663	-	-	-	663
Spanish Club	242	336	217	-	361	-	-	-	361
Latin Dance Club	162	52	-	(50)	164	-	-	-	164
Key Club	52	2,176	1,096	38	1,170	-	-	-	1,170
National Honor Society	994	1,057	1,305	-	746	-	-	-	746
PTSO	222	510	500	-	232	-	-	-	232
Student Council	3,237	9,376	5,633	(752)	6,228	-	-	-	6,228
Stand	184	452	335	(38)	263	-	-	-	263
Project 88 Fitness	750	-	37	-	713	-	-	-	713
Spirit	417	1,385	1,659	(143)	-	-	-	-	-
Coed-Y	195	2,881	2,905	(38)	133	-	-	-	133
Young Democrats	18	-	-	-	18	-	-	-	18
TSA	1,389	3,726	3,617	30	1,528	-	-	-	1,528
STLP	799	377	224	-	952	-	-	-	952
ROTC Activities	6,095	26,396	28,356	(252)	3,883	-	-	-	3,883
AFROTC Scholarship	1,000	-	300	-	700	-	-	-	700
WKSLS	1,904	3,327	5,554	1,072	749	-	-	-	749
AG	2,172	-	4,756	5,147	2,563	-	-	-	2,563
Art	1,747	-	4,464	2,717	-	-	-	-	-
Band	5,530	27,306	30,016	987	3,807	-	-	-	3,807
Business	2,241	504	3,496	2,440	1,689	-	-	-	1,689
Chorus	551	11,959	10,330	350	2,530	-	-	-	2,530
Career Transition	390	-	75	163	478	-	-	-	478
Driver Ed	24	-	288	264	-	-	-	-	-
English	922	173	2,079	1,264	280	-	-	-	280
Freshman Team	2,013	-	1,273	(740)	-	-	-	-	-
Sophomore Team	1,858	-	1,375	(483)	-	-	-	-	-
Junior Team	1,389	-	2,123	734	-	-	-	-	-
Fine Arts	862	2,512	2,632	305	1,047	-	-	-	1,047
Senior Team	-	-	2,797	2,797	-	-	-	-	-
Foreign Language	750	866	2,129	975	462	-	-	-	462
FMD Christmas Play	426	480	62	(526)	318	-	-	-	318
Greenhouse	7,462	3,815	5,337	(3,935)	2,005	-	-	1,845	160
Consumer Science	778	-	1,135	1,619	1,262	-	-	-	1,262
Math	2,860	260	100	675	3,695	-	-	-	3,695
MMD/Head	244	208	675	279	56	-	-	-	56
MMD/Bullington	329	82	350	-	61	-	-	-	61
MMD/Blandford	775	202	618	464	823	-	-	-	823
Orchestra	860	1,565	2,360	408	473	-	-	-	473
MMD/D. Higdon	406	110	287	337	566	-	-	-	566
Health/PE	500	701	1,802	1,998	1,397	-	-	-	1,397

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

APOLLO HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
MMD/McIntire	126	-	-	(126)	-	-	-	-	-
ROTC-School Budget	471	-	670	408	209	-	-	-	209
Science	10,131	-	3,755	2,279	8,655	-	-	-	8,655
MMD/Gilbreath	234	-	711	840	363	-	-	-	363
Special Services	963	7	1,140	537	367	-	-	-	367
MMD/Roberts	-	-	48	109	61	-	-	-	61
Social Studies	2,536	-	390	812	2,958	-	-	-	2,958
Gov't Class DC Trip	-	4,838	4,938	100	-	-	-	-	-
Tech-Ed	2,142	1,420	1,018	582	3,126	-	-	-	3,126
Library Copy Machine	885	84	399	856	1,426	-	-	-	1,426
Library Fines	958	295	974	(25)	254	-	-	-	254
Audio Visual	1,103	-	855	482	730	-	-	-	730
Poster Printer	675	20	-	216	911	-	-	-	911
Student Fees	-	157,507	78,919	(78,588)	-	-	-	-	-
Lost/Damaged Books	-	282	282	-	-	-	-	-	-
Elearning Repair Fine	100	12,104	12,015	-	189	-	-	-	189
Laptop Purchases	-	4,450	4,450	-	-	-	-	-	-
Latham Scholarship	8,122	-	1,000	80	7,202	-	-	-	7,202
Stewart Family Eagle	174	1,000	1,000	2	176	-	-	-	176
Coke Scholarship	32,545	-	750	321	32,116	-	-	-	32,116
Pruden Scholarship	28,860	700	-	290	29,850	-	-	-	29,850
Satterly Scholarship	24,112	1,564	-	252	25,928	-	-	-	25,928
Soaring Eagle Schol	-	631	500	1	132	-	-	-	132
Stefanie M. Memorial	-	960	-	1	961	-	-	-	961
Eagle High Trust	8,895	1,892	1,580	-	9,207	18	-	2,872	6,353
	\$ 358,552	\$ 837,196	\$ 870,301	\$ -	\$ 325,447	\$ 18	\$ 17,801	\$ 17,627	\$ 325,639

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
General Fund	\$ 3,671	\$ 17,113	\$ 20,573	\$ 4,016	\$ 4,227	\$ -	\$ -	\$ -	\$ 4,227
Student ID's	-	939	1,185	628	382	-	-	-	382
Office Supplies	112	5	5,286	9,985	4,816	-	-	-	4,816
Jacob Helwig Fund	-	2,376	2,376	-	-	-	-	-	-
Driver Ed Fee	-	4,303	4,300	-	3	-	-	-	3
Activity Fees	366	251,180	154,683	(96,572)	291	-	-	-	291
Laptop	25	18,023	18,848	800	-	-	-	-	-
Misc. Maintenance	-	-	966	1,500	534	-	-	-	534
Student Fees/924	5,711	166	5,695	5,780	5,962	-	-	-	5,962
Textbooks/State	150	330	1,174	694	-	-	-	-	-
Shelton-Walmart	891	-	92	-	799	-	-	-	799
Vending	-	6,785	4,438	(2,347)	-	82	-	-	82
Faculty Vending	-	2,993	1,975	-	1,018	544	-	-	1,562
Staffulty Fund	76	2,541	1,437	20	1,200	-	-	-	1,200
Picture Commission	-	6,548	1,958	(4,590)	-	-	-	-	-
Magazine	-	30,899	19,513	(6,744)	4,642	-	-	-	4,642
Nickel War	6,369	4,402	4,220	-	6,551	-	-	-	6,551
Brick Courtyard	145	50	-	(195)	-	-	-	-	-
Athletics General	376	121,009	53,780	(67,260)	345	-	-	-	345
Game Officials	-	-	22,890	22,890	-	-	-	-	-
Athletic Training	169	-	2,575	3,360	954	-	-	-	954
Athletic Boosters	1,000	72,951	44,491	(26,960)	2,500	-	9,338	-	11,838
Baseball Signs	873	12,500	8,100	(5,273)	-	-	-	-	-
Baseball	1,300	18,893	29,468	9,275	-	-	-	-	-
Baseball-District To	-	-	(9)	(9)	-	-	-	-	-
Baseball Tournament	-	1,195	630	(565)	-	-	-	-	-
Girls BKB Tournament	1,500	5,678	5,047	(2,131)	-	-	-	-	-
Basketball - Boys	9,143	8,177	17,348	4,962	4,934	-	-	-	4,934
Basketball - Girls	3,690	2,780	10,213	5,489	1,746	-	-	-	1,746
BKB Gym Signs	-	3,000	-	-	3,000	-	-	-	3,000
CC/TR Invationals	1,553	10,661	8,006	-	4,208	-	-	-	4,208
Softball- Regionals	-	8,411	7,631	(780)	-	-	-	-	-
CC/Track Boys	3,423	9,935	18,176	6,130	1,312	-	-	-	1,312
Cross Country - Girls	1,898	4,851	5,609	2,749	3,889	-	-	-	3,889
Track Girls	2,031	1,507	4,001	3,821	3,358	-	-	-	3,358
Cheerleaders	10,007	72,716	68,098	9,458	24,083	-	-	25	24,058
Field Maintenance	1,736	300	7,551	5,515	-	-	-	-	-
Football Boosters	2,607	7,604	10,982	1,475	704	-	-	-	704

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
Football	12,203	33,988	42,810	14,294	17,675	-	-	-	17,675
Golf Tournament	-	2,870	1,359	(1,511)	-	-	-	-	-
Golf Boys	-	138	2,693	2,944	389	-	-	-	389
Golf Girls	1,081	1,500	2,191	1,619	2,009	-	-	-	2,009
Intramural Sports	3	170	-	(78)	95	-	-	-	95
Pantherettes	4,952	17,076	23,387	1,359	-	-	-	-	-
Soccer Regional Boys	-	2,783	1,727	(1,056)	-	-	-	-	-
Soccer Boys	2,464	4,899	10,494	4,220	1,089	-	-	-	1,089
Soccer-JV Team	-	5,909	2,836	(3,073)	-	-	-	-	-
Soccer Girls	633	21,680	27,115	5,423	621	-	-	-	621
Soccer District Tournament	-	4,230	2,986	(1,244)	-	-	-	-	-
Sofball	6,552	7,530	14,701	4,339	3,720	-	-	-	3,720
Sofball Tourney	-	1,718	750	(968)	-	-	-	-	-
Baseball Florida	-	7,431	12,250	4,819	-	-	-	-	-
Soccer Signs Boys	598	1,400	478	-	1,520	-	-	-	1,520
State Tournament Exp.	-	831	8,689	7,858	-	-	-	-	-
Team Laurent/Cancer	5,170	9,103	10,122	(60)	4,091	-	-	1,100	2,991
Swimming	43	6,312	7,751	1,452	56	-	-	-	56
Soccer Sub Sectional	-	2,628	2,348	(280)	-	-	-	-	-
Tennis Boys	1,191	199	1,064	829	1,155	-	-	-	1,155
Tennis Girls	1,581	2,681	4,722	885	425	-	-	-	425
Volleyball	-	500	3,532	3,032	-	-	-	-	-
Wrestling	-	4,120	10,023	5,903	-	-	-	-	-
District B/G Bkball	-	17,575	12,624	(4,951)	-	-	-	-	-
Anime Club	81	63	-	-	144	-	-	-	144
Art Club	7	250	177	(50)	30	-	-	-	30
Beta Club	378	1,010	943	(266)	179	-	-	-	179
Christian Stu. Union	127	-	-	-	127	-	-	-	127
Chess Club	15	30	40	-	5	-	-	-	5
Robotics	247	1,365	913	(443)	256	-	-	-	256
Drama Club	811	5,973	4,633	(24)	2,127	-	-	-	2,127
Drama/Music Storage	750	540	1,140	764	914	-	-	-	914
FBLA	1,004	6,793	1,550	10	6,257	-	-	-	6,257
FCCLA	550	672	606	-	616	-	-	-	616
Fellow Christian	145	3	21	-	127	-	-	-	127
FFA	2,789	34,320	36,892	-	217	-	-	165	52
French Club	521	3,093	3,215	(48)	351	-	-	-	351
Habitat for Humanity	-	2,865	2,525	(223)	117	-	-	-	117
ICU Club	496	-	-	(496)	-	-	-	-	-

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVIESS COUNTY HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
Key Club	466	485	836	(100)	15	-	-	-	15
JR Classical League	413	2,502	2,849	5	71	-	-	-	71
Lifesavers Club	-	336	342	6	-	-	-	-	-
National Honor Society	822	1,597	1,433	(384)	602	-	-	-	602
One Club	10	-	-	-	10	-	-	-	10
PEP Club	530	1,732	899	-	1,363	-	-	-	1,363
Quill & Scroll Club	141	228	199	-	170	-	-	-	170
Quiz Bowl Recycle Club	113	335	232	-	216	-	-	-	216
SADD	444	-	-	-	444	-	-	-	444
Spanish Club	310	1,052	814	(52)	496	-	-	-	496
Spanish National Honor	731	690	402	-	1,019	-	-	-	1,019
Student Council	1,362	6,269	5,623	(193)	1,815	-	-	129	1,686
Bookmarks Club	13	-	-	(13)	-	-	-	-	-
Young Democrats	24	150	138	-	36	-	-	-	36
STLP	175	100	265	-	10	-	-	-	10
Teenage Republicans	237	173	-	(203)	207	-	-	-	207
Co-Ed Y Club	306	8,495	8,603	-	198	-	-	-	198
Weep	365	-	-	(365)	-	-	-	-	-
Ag Mechanics	-	80	3,809	3,729	-	-	-	-	-
AG/IND Tech Academy	221	1,040	6,498	6,760	1,523	-	-	-	1,523
Business Ed Academy	2,680	-	2,777	1,287	1,190	-	-	-	1,190
Multimedia Publishing	721	1,173	1,194	(287)	413	-	-	-	413
Career Prep	145	-	-	(11)	134	-	-	-	134
Construction	-	2,130	73	(2,057)	-	-	-	-	-
Fine Arts/Mass Comm.	11,803	2,942	23,001	17,896	9,640	-	-	-	9,640
Guidance	524	33,555	31,901	2,819	4,997	-	-	-	4,997
Health Wellness	2,301	7,564	13,546	3,914	233	-	-	-	233
Weights	1,191	-	407	-	784	-	-	-	784
Horticulture	2,286	7,096	4,005	231	5,608	-	-	-	5,608
Liberal Arts Academy	12,374	343	5,951	2,560	9,326	-	-	-	9,326
Intro to Education	51	108	159	-	-	-	-	-	-
Library	5,578	636	530	439	6,123	-	-	-	6,123
Science Academy	1,896	10	7,960	8,215	2,161	-	-	-	2,161
Math Academy	2,953	990	2,363	130	1,710	-	-	-	1,710
JRROTC Alt/Pur/Ori	3,075	4,697	1,507	-	6,265	-	-	-	6,265
JRROTC Unit Support	724	1,752	654	(64)	1,758	-	-	-	1,758
JRROTC Boosters	2,118	18,446	15,244	(640)	4,680	-	-	-	4,680
Academic Team	3,587	1,018	4,137	1,995	2,463	-	-	-	2,463
Band Uniforms	9,013	-	-	-	9,013	-	-	-	9,013

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITY FUND RECEIPTS, DISBURSEMENTS, AND DUE TO

DAVIESS COUNTY HIGH SCHOOL

Year Ended June 30, 2012

	Cash June 30, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2012
Band Boosters	38,569	105,302	123,064	(4,312)	16,495	-	-	725	15,770
Band Winterguard	-	3,271	3,271	-	-	-	-	-	-
Big Red Machine	2,242	6,549	5,534	30	3,287	-	-	-	3,287
Class of 2014	-	-	27	50	23	-	-	-	23
Class of 2012	-	1,725	1,149	50	626	-	-	-	626
Class of 2013	-	-	61	61	-	-	-	-	-
Class of 2015	-	-	40	50	10	-	-	-	10
Drama	3,209	6,727	6,325	(760)	2,851	-	-	-	2,851
Drama Musical	-	3,728	5,750	2,022	-	-	-	-	-
GRAD/Sr. Activities	230	337	10,601	10,150	116	-	-	-	116
DC Wishes	893	1,736	1,005	-	1,624	-	-	-	1,624
Chamber Choir	651	6,678	5,925	(1,273)	131	-	-	-	131
Target Donation	-	832	-	(832)	-	-	-	-	-
Prom	8,181	8,675	7,760	-	9,096	-	-	-	9,096
Renaissance Rewards	9,294	2,438	9,815	6,084	8,001	-	-	-	8,001
T-Shirts	5,418	5,705	17,571	8,529	2,081	-	-	-	2,081
Perform Arts Trip	-	88,875	93,080	4,205	-	-	-	-	-
Yearbook - Echoes	2,608	34,349	33,759	24	3,222	-	-	1,000	3,222
Nick Brown Scholarship	2,259	-	500	-	1,759	-	-	500	759
Brad Smith Scholarship	2,235	-	500	-	1,735	-	-	500	1,235
Fulkerson Scholarship	500	-	500	500	500	-	-	500	-
Robin Sweeney	5,273	-	-	-	5,273	-	-	-	5,273
Contingency Fund	20,045	-	-	(295)	19,750	-	-	-	19,750
Petty Cash	100	100	100	-	100	-	-	-	100
Athletic Cash Boxes	3,000	3,000	3,000	-	3,000	-	-	-	3,000
First County High Bank	7,950	8,321	16,256	-	15	-	-	-	15
	\$ 285,574	\$ 1,321,141	\$ 1,326,557	\$ -	\$ 280,158	\$ 626	\$ 9,338	\$ 4,144	\$ 285,978

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Agriculture:					
Food Donation	10.555	057502-12	51	N/A	\$ 883,656
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	7760005-12	51	N/A	850,442
National School Lunch Program	10.555	7750002-12	51	N/A	2,372,491
Summer Food Service Program for Children	10.559	7740023-12	51	2092	195,849
					<u>3,418,782</u>
Total U.S. Department of Agriculture					\$ <u>4,302,438</u>
<u>U. S. Department of Defense</u>					
Direct Program:					
ROTC	12.000	5042	2	5042	\$ 110,482
Total U. S. Department of Defense					\$ <u>110,482</u>
<u>U. S. Department of Labor</u>					
Passed through Kentucky Department of Education:					
WIA Dislocated Worker Formula Grants	17.278	271SR09-09	2	3822	\$ 25,400
Total U.S. Department of Labor					\$ <u>25,400</u>
<u>U. S. Department of Energy</u>					
Passed through Green River Regional Educational Co-op:					
State Energy Program - School Energy Managers, Recovery Act	81.041	5691	2	5691	\$ 12,827
Total U. S. Department of Energy					\$ <u>12,827</u>
<u>U. S. Department of Education</u>					
Passed through Kentucky Department of Education:					
Title I, Part A Cluster:					
Title I - Local Educational Agencies	84.010	3100002-11	2	3101	\$ 385,334
Title I - Parent Involvement	84.010	3100002-11	2	3101M	2,051
Title I - Local Educational Agencies	84.010	3100002-12	2	3102	1,421,723
Title I - Parent Involvement	84.010	3100002-12	2	3102M	14,737
Title I - Local Educational Agencies, Recovery Act	84.389	4100002-09	2	3919	39,143
					<u>1,862,988</u>
Migrant Education - State Grant Program	84.011	3110002-11	2	3111	132,783
Migrant Education - State Grant Program	84.011	3110002-12	2	3112	157,031
					<u>289,814</u>
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027	3810002-11	2	3371	57,898
IDEA, Part B Extended School	84.027	3810002-11	2	3371E	2,605
IDEA, Part B	84.027	3810002-12	2	3372	2,132,715
IDEA Discretionary - GRR Educational Co-op	84.027	3810004-11	2	3361	287,063
IDEA Discretionary - GRR Educational Co-op	84.027	3810004-12	2	3362	655,136
IDEA, Part B, Recovery Act	84.391	4810002-09	2	4249	41,864
Special Education - Preschool Grants:					
IDEA Preschool	84.173	3800002-12	2	3432	82,207
					<u>3,259,488</u>

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2012

Grantor / Program Title	CFDA Number	Pass-Through Entity Identifying Number	Fund Number	Project Number	Federal Expenditures
<u>U. S. Department of Education, Continued</u>					
Passed through Kentucky Department of Education, Continued:					
Career and Technical Education - Basic Grants to States:					
Perkins - Part C	84.048	4620932-12	2	3482	80,764
Perkins - Part C	84.048	4620932-11	2	3481	4,360
Perkins - Part C	84.048	4620932-10	2	3480A	3,051
					<u>88,175</u>
Career and Technical Education - Basic Grants to States:					
Title II - Technology, Recovery Act	84.386	4210002-09	2	4850	436
English Language Acquisition Grants:					
Title III Limited English Proficiency	84.365	3300002-12	2	3452	36,844
Title III Limited English Proficiency	84.365	3300002-11	2	3451I	9,971
					<u>46,815</u>
Improving Teacher Quality State Grants:					
Title II	84.367	3230002-12	2	4012	368,755
Title II	84.367	3230002-11	2	4011	11,720
					<u>380,475</u>
Homeless Child Education, Recovery Act					
	84.387	4990002-09	2	3219	524
Education Jobs Fund					
	84.410	4411	2	4411	35,215
Passed through Kentucky Workforce Development Cabinet:					
Adult Education - Basic Grants to States	84.002	3712	2	3712	25,507
Adult Education - Basic Grants to States	84.002	3711	2	3711	7,164
					<u>32,671</u>
Passed through Green River Regional Educational Co-op:					
Fund for the Improvement of Education:					
Smaller Learning Grant	84.215	5182	2	5182	8,397
Smaller Learning Grant	84.215	5181	2	5181	4,800
					<u>13,197</u>
Passed through Kentucky Department of Juvenile Justice:					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	3132	2	3132	37,027
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	4100102-12	2	3132T	3,703
					<u>40,730</u>
Total U. S. Department of Education					<u>\$ 6,050,528</u>
Total Federal Awards					<u>\$ 10,501,675</u>

Note A: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Daviess County School District and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B: Nonmonetary assistance for the Food Distribution Program is reported in the schedule at the fair market value of the commodities received.

**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**

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendices I through IV of the Independent Auditors' Contract*.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting, Continued

consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 12-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated October 5, 2012.

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

This report is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, others within the entity, 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.

Renee Hancock CPA, PSC

Owensboro, Kentucky
October 5, 2012

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

Members of the Board of Education
Daviess County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Compliance

We have audited Daviess County School District's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendices I through IV of the Independent Auditors' Contract*. 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 could have had a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, other within the entity, 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.

Owensboro, Kentucky
October 5, 2012

DAVIESS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Daviess County School District (District).
2. A significant deficiency relating to the audit of the financial statements is reported 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*. The condition is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion on all major federal programs.
6. As indicated in Part C of this schedule, there were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:
 - Title I, Part A Cluster
 - 84.010 Title I - Local Educational Agencies
 - 84.389 Title I - Local Educational Agencies, Recovery Act
 - Special Education Cluster:
 - 84.027 IDEA, Part B
 - 84.173 IDEA Preschool
 - 84.391 IDEA, Part B, Recovery Act
 - 84.367 Improving Teacher Quality State Grants
 - 81.041 School Energy Managers, Recovery Act
 - 84.386 Title II - Technology, Recovery Act
8. The threshold used for distinguishing between Types A and B programs was \$315,050.
9. The District was determined to be a low-risk auditee.

DAVIESS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

B. Findings - Financial Statements Audit

Significant Deficiency:

Finding 12-01

Segregation of Duties

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust is necessitated. This lack of segregation of duties increases the opportunity for misappropriation of District assets, and weakens the District's ability to detect possible misappropriations. Specifically, bookkeepers at individual schools perform most accounting functions for the activity funds and after school program directors have responsibility for student attendance records and for billing and collection of student fees.

Recommendation

Job responsibilities within the accounting area should be continually reviewed and, where feasible, duties should be switched to provide better segregation of incompatible work functions. For the after school program, revenues should be reviewed analytically using attendance data.

Management Response

In the area of school bookkeepers and after school program directors, it is not practical or cost effective to hire additional staff to separate accounting functions at all locations. Adequate internal control procedures as defined by local policy and state law are available and enforced in these areas. Fidelity bond coverage was carried during the fiscal year.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

DAVISS COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

There were no audit findings relative to federal awards reported in the schedule of findings and questioned costs for the year ended June 30, 2011.

MANAGEMENT LETTER

Members of the Board of Education
Daviness County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding that matter. A separate report dated October 5, 2012, contains our report on a significant deficiency in the District's internal control. This letter does not affect our report dated October 5, 2012, on the financial statements of the District.

Finding for FY 2012

Schedule of Expenditures of Federal Awards (SEFA):

Although reconciled and corrected in the audited financial statements, the Schedule of Expenditures of Federal Awards (SEFA) originally presented to the auditors did not agree to federal revenue recorded in the general ledger. The accuracy of this schedule each year is important for the proper selection of federal programs to test.

Management Response:

In future years, a reconciliation to federal revenue in the general ledger will be performed prior to providing the SEFA to the auditors.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with District personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

Status of FY 2011 Comments

A management letter was not issued for FY 2011.

This communication is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Owensboro, Kentucky
October 5, 2012