

DAVISS COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2014

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Kentucky Public School Districts' Audit Contract and Requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 46-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 Riney Hancock CPAs PSC

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014. 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 position increased \$241,451. Net position of governmental activities decreased by \$8,187, while net position of business-type activities increased by \$249,638.
- General revenues accounted for \$88,625,685 in revenue or 85.5% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$14,970,698 or 14.5% of total governmental revenues of \$103,596,383.
- Total assets of governmental activities increased by \$4,235,796. Capital assets increased by \$607,294, while cash and investments increased by \$4,287,610 due to the bond issue for construction projects in progress.
- The School District had \$103,604,570 in expenses related to governmental activities; only \$14,970,698 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 2014. Projects include renovations at Daviess County High and HVAC upgrades at Country Heights Elementary and Daviess County High.

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 Position** 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, Special Revenue Fund and Construction Fund.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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 2014?” The **Statement of Net Position** 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 position and changes in that position. This change in net position 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 Position** 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 14. 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, 2014

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 Position 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 23 - 45 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$48,750,710 for Governmental Activities and \$3,302,195 for Business-Type Activities as of June 30, 2014.

The largest portion of the District's net position 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, 2014

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 1)
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current and other assets	\$ 27,727,044	\$ 24,098,542	\$2,462,688	\$2,209,200	\$ 30,189,732	\$ 26,307,742
Capital assets	<u>95,148,276</u>	<u>94,540,982</u>	<u>930,312</u>	<u>927,195</u>	<u>96,078,588</u>	<u>95,468,177</u>
Total assets	<u>122,875,320</u>	<u>118,639,524</u>	<u>3,393,000</u>	<u>3,136,395</u>	<u>126,268,320</u>	<u>121,775,919</u>
Deferred Outflows of Resources						
Deferred charges on refunding	<u>1,435,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,435,698</u>	<u>-</u>
Liabilities						
Long-term liabilities	62,641,265	62,885,260	-	-	62,641,265	62,885,260
Other liabilities	<u>12,919,043</u>	<u>6,510,059</u>	<u>90,805</u>	<u>83,838</u>	<u>13,009,848</u>	<u>6,593,897</u>
Total liabilities	<u>75,560,308</u>	<u>69,395,319</u>	<u>90,805</u>	<u>83,838</u>	<u>75,651,113</u>	<u>69,479,157</u>
Net Position						
Net investment in capital assets	31,041,476	34,207,604	930,312	927,195	31,971,788	35,134,799
Restricted	7,242,366	3,577,421	-	-	7,242,366	3,577,421
Unrestricted	<u>10,466,868</u>	<u>10,973,872</u>	<u>2,371,883</u>	<u>2,125,362</u>	<u>12,838,751</u>	<u>13,099,234</u>
Total net position	<u>\$ 48,750,710</u>	<u>\$ 48,758,897</u>	<u>\$3,302,195</u>	<u>\$3,052,557</u>	<u>\$ 52,052,905</u>	<u>\$ 51,811,454</u>

Total assets increased \$4,492,401 primarily due to bond issue. Total net position increased by \$241,451.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(Table 2)
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program revenues:						
Charges for services	\$ 449,491	\$ 406,338	\$ 3,487,430	\$ 3,507,562	\$ 3,936,921	\$ 3,913,900
Operating grants and contributions	10,540,816	10,660,675	4,813,632	4,459,944	15,354,448	15,120,619
Capital grants and contributions	3,980,391	4,196,568	-	-	3,980,391	4,196,568
General revenues:						
Taxes	33,126,497	32,392,340	-	-	33,126,497	32,392,340
State aid formula grants	37,800,908	39,158,627	-	-	37,800,908	39,158,627
Investment earnings	162,019	124,129	10,552	13,425	172,571	137,554
Gain on sale of capital assets	12,606	-	-	-	12,606	-
Miscellaneous	327,447	326,425	-	-	327,447	326,425
State on behalf payments	17,117,404	16,840,725	-	-	17,117,404	16,840,725
Transfers	<u>78,804</u>	<u>76,412</u>	<u>(78,804)</u>	<u>(76,412)</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>103,596,383</u>	<u>104,182,239</u>	<u>8,232,810</u>	<u>7,904,519</u>	<u>111,829,193</u>	<u>112,086,758</u>
Program expenses:						
Instruction	66,173,036	65,690,129	-	-	66,173,036	65,690,129
Support services:						
Student	4,059,839	3,936,132	-	-	4,059,839	3,936,132
Instructional staff	3,371,081	3,722,836	-	-	3,371,081	3,722,836
District administration	877,830	863,380	-	-	877,830	863,380
School administration	6,504,827	6,402,489	-	-	6,504,827	6,402,489
Business	1,794,613	1,836,424	-	-	1,794,613	1,836,424
Facility operations/maintenance	7,261,360	8,689,178	-	-	7,261,360	8,689,178
Student transportation	7,620,869	7,854,344	-	-	7,620,869	7,854,344
Non-instructional	851,131	833,960	-	-	851,131	833,960
Facility acquisition/construction	2,542,503	260,716	-	-	2,542,503	260,716
After school program	-	-	1,054,700	1,040,681	1,054,700	1,040,681
Interest on long-term debt	2,547,481	2,653,266	-	-	2,547,481	2,653,266
Food service	-	-	6,928,472	6,739,189	6,928,472	6,739,189
Total expenses and transfers	<u>103,604,570</u>	<u>102,742,854</u>	<u>7,983,172</u>	<u>7,779,870</u>	<u>111,587,742</u>	<u>110,522,724</u>
Increase/decrease in net position	<u>\$ (8,187)</u>	<u>\$ 1,439,385</u>	<u>\$ 249,638</u>	<u>\$ 124,649</u>	<u>\$ 241,451</u>	<u>\$ 1,564,034</u>

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Reporting the School District's Most Significant Funds, Continued
Governmental Activities

Instruction comprises 63.9% of governmental program expenses. Support services expenses make up 30.4% of governmental expenses. Non-instructional expenses for community services total .8% of governmental expenses. Facilities acquisition/construction and interest accounts for the remaining 4.9% of the total governmental expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 \$17,117,404 for 2014.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 66,173,036	\$ 65,690,129	\$58,309,724	\$58,037,680
Support services	31,490,419	33,304,783	29,161,943	30,675,215
Non-instructional	851,131	833,960	2,342	346
Facilities acquisition/construction	2,542,503	260,716	(1,187,434)	(3,674,923)
Interest on long-term debt	<u>2,547,481</u>	<u>2,653,266</u>	<u>2,347,297</u>	<u>2,440,955</u>
Total expenses	<u>\$103,604,570</u>	<u>\$102,742,854</u>	<u>\$88,633,872</u>	<u>\$87,479,273</u>

Business-Type Activities

The business-type activities are food service and after school programs. These programs had revenues of \$8,311,614 and expenses of \$7,983,172 for fiscal year 2014. Of the revenues, \$3,487,430 was charges for services, \$4,813,632 was from state and federal grants, and \$10,552 was from investment earnings. Indirect cost transfers and other transfers totaled \$78,804. 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 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$113,056,933 and expenditures of \$109,486,891. Net changes in fund balances for the year were most significant for the Construction Fund totaling \$3,805,633. The General Fund's fund balance decreased by \$94,903.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Reporting the School District's Most Significant Funds, Continued

General Fund-Budget Highlights

The decrease in General Fund was due to a decrease in state aid. The increase in Construction Fund was due to a bond issue for construction projects in progress at year end.

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 \$84,350,014, with actual amounts of \$84,345,300. Budgeted expenditures of \$99,209,982 compare, with actual expenditures of \$86,589,449, a difference of \$12,620,533. The source of both the expense budget variances is related to amounts budgeted for contingencies. Budgeted other financing sources was \$1,088,804, with actual financing sources of \$2,149,246. The net decrease in the General Fund balance is \$94,903.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$96,078,588 invested in land, buildings, equipment and construction in progress, \$95,148,276 in governmental activities, and \$930,312 in business-type activities. Table 4 shows fiscal year 2014 balances compared to 2013.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 3,484,809	\$ 3,484,809	\$ -	\$ -	\$ 3,484,809	\$ 3,484,809
Land improvements	790,362	871,386	8,499	9,269	798,861	880,655
Buildings and improvements	78,935,067	80,234,378	-	-	78,935,067	80,234,378
Technology equipment	3,462,221	3,571,896	63,892	59,285	3,526,113	3,631,181
Vehicles	3,882,220	4,115,797	-	-	3,882,220	4,115,797

Daviess County School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General equipment	1,234,139	1,409,465	857,921	858,641	2,092,060	2,268,106
Construction in progress	<u>3,359,458</u>	<u>853,251</u>	<u>-</u>	<u>-</u>	<u>3,359,458</u>	<u>853,251</u>
Total	<u>\$95,148,276</u>	<u>\$94,540,982</u>	<u>\$930,312</u>	<u>\$927,195</u>	<u>\$96,078,588</u>	<u>\$95,468,177</u>

The increase in capital assets is primarily due to construction projects in progress.

Debt

At June 30, 2014, the School District had \$64,660,000 in bonds outstanding, of which \$141,542 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$4,490,000 is due within one year.

At June 30, 2013, the School District had \$60,980,000 in bonds outstanding, of which \$191,812 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 remains in a safe financial position. The District is financially stable, but at risk due to continued, 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.

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. To balance state funding shortfalls, increased pressure has been placed on local boards of education to increase taxes, placing a hardship on local school districts and local taxpayers.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

District Challenges for the Future, Continued

Kentucky's constitution clearly directs public education as the State's responsibility. Fiscally speaking, the State must address inadequate school funding. Should the State fail to proactively respond to this issue, the potential exists for a state-wide lawsuit as evidenced by the Kentucky Education Reform Act (KERA) that occurred in 1990. While KERA ushered in sweeping reform for school accountability, the lawsuit was based on the premise of inadequate state funding for Kentucky's public schools. The Kentucky Supreme Court sided with the school districts in that case, ordering the Legislature to remedy inadequate and inequitable school funding.

A second financial risk facing Daviess County Public Schools is the rising retirement/pension costs and also the financial instability in the state pension fund. The employer matching percentage has more than doubled over the last seven-year period for the support personnel. 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 2014. School boards began contributing at a rate of 0.25%, up to a maximum amount of 3.0%, phased-in over a six-year period in an effort to stabilize the KTRS medical fund. The KTRS rate will increase an additional 0.75% in FY 2015 and FY 2016 and results in total new, annual estimated expense of \$1.2 million once fully implemented in FY 2016. 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, mandated cost increases. Further, instability in the state pension fund is a large financial concern for the state's budget and if left unresolved, could result in negative financial consequences to Kentucky's public school districts.

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 POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,469,387	\$ 2,182,103	\$ 23,651,490
Investments	4,299,619	-	4,299,619
Accounts receivable:			
Taxes	1,106,137	-	1,106,137
Other	214,113	5,855	219,968
Due from other governments	292,650	90,511	383,161
Due from fiduciary funds	11,700	-	11,700
Inventory	294,389	184,219	478,608
Prepays and other current assets	39,049	-	39,049
Capital assets, net	95,148,276	930,312	96,078,588
Total assets	122,875,320	3,393,000	126,268,320
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	1,435,698	-	1,435,698
LIABILITIES			
Accounts payable	435,135	2,376	437,511
Accrued salaries and benefits	3,845,594	-	3,845,594
Payroll withholdings	1,518,306	-	1,518,306
Accrued interest payable	554,877	-	554,877
Unearned revenue	731,000	88,429	819,429
Long-term liabilities:			
Due within one year	5,834,131	-	5,834,131
Due in more than one year	62,641,265	-	62,641,265
Total liabilities	75,560,308	90,805	75,651,113
NET POSITION			
Net investment in capital assets	31,041,476	930,312	31,971,788
Restricted for:			
Capital projects	7,149,837	-	7,149,837
Other	48,728	-	48,728
Technology	43,801	-	43,801
Unrestricted	10,466,868	2,371,883	12,838,751
Total net position	\$ 48,750,710	\$ 3,302,195	\$ 52,052,905

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 66,173,036	\$ 173,478	\$ 7,639,564	\$ 50,270	\$ (58,309,724)		\$ (58,309,724)
Support services:							
Student	4,059,839	-	953,475	-	(3,106,364)		(3,106,364)
Instructional staff	3,371,081	-	670,416	-	(2,700,665)		(2,700,665)
District administration	877,830	-	-	-	(877,830)		(877,830)
School administration	6,504,827	-	5,548	-	(6,499,279)		(6,499,279)
Business	1,794,613	-	-	-	(1,794,613)		(1,794,613)
Plant operation and maintenance	7,261,360	22,659	5,597	-	(7,233,104)		(7,233,104)
Student transportation	7,620,869	253,354	417,427	-	(6,950,088)		(6,950,088)
Community services	851,131	-	848,789	-	(2,342)		(2,342)
New building construction	168,261	-	-	-	(168,261)		(168,261)
Building renovations / additions	2,374,242	-	-	3,729,937	1,355,695		1,355,695
Interest on long-term liabilities	2,547,481	-	-	200,184	(2,347,297)		(2,347,297)
Total governmental activities	<u>103,604,570</u>	<u>449,491</u>	<u>10,540,816</u>	<u>3,980,391</u>	<u>(88,633,872)</u>		<u>(88,633,872)</u>
Business-type activities:							
Food service	6,928,472	2,398,617	4,770,478	-	-	\$ 240,623	240,623
After school program	1,054,700	1,088,813	43,154	-	-	77,267	77,267
Total business-type activities	<u>7,983,172</u>	<u>3,487,430</u>	<u>4,813,632</u>	<u>-</u>	<u>-</u>	<u>317,890</u>	<u>317,890</u>
Total district	<u>\$ 111,587,742</u>	<u>\$ 3,936,921</u>	<u>\$ 15,354,448</u>	<u>\$ 3,980,391</u>	<u>(88,633,872)</u>	<u>317,890</u>	<u>(88,315,982)</u>
General revenues:							
Property taxes					28,738,020	-	28,738,020
Utility taxes					4,388,477	-	4,388,477
State aid formula grants					37,800,908	-	37,800,908
On-behalf payments					17,117,404	-	17,117,404
Investment earnings					162,019	10,552	172,571
Gain on sale of capital assets					12,606	-	12,606
Miscellaneous					327,447	-	327,447
Transfers					78,804	(78,804)	-
Total general revenues and transfers					<u>88,625,685</u>	<u>(68,252)</u>	<u>88,557,433</u>
Change in net position					(8,187)	249,638	241,451
Net position, June 30, 2013, restated					<u>48,758,897</u>	<u>3,052,557</u>	<u>51,811,454</u>
Net position, June 30, 2014					<u>\$ 48,750,710</u>	<u>\$ 3,302,195</u>	<u>\$ 52,052,905</u>

DAVIESS COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,565,717	\$ 415,024	\$ 5,918,277	\$ 1,570,369	\$ 21,469,387
Investments	4,299,619	-	-	-	4,299,619
Accounts receivable:					
Taxes	1,106,137	-	-	-	1,106,137
Other	168,282	45,831	-	-	214,113
Due from other governments	20,477	247,568	-	-	268,045
Due from other funds	5,700	6,000	-	-	11,700
Inventory	294,389	-	-	-	294,389
Prepaid expenses	16,833	-	-	-	16,833
Total assets	\$ 19,477,154	\$ 714,423	\$ 5,918,277	\$ 1,570,369	\$ 27,680,223
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 136,824	\$ 8,230	\$ 290,081	\$ -	\$ 435,135
Due to other funds	-	-	-	-	-
Accrued salaries and benefits	3,845,594	-	-	-	3,845,594
Payroll withholdings	1,518,306	-	-	-	1,518,306
Unearned revenue	68,608	662,392	-	-	731,000
Total liabilities	5,569,332	670,622	290,081	-	6,530,035
Deferred inflows of resources:					
Unavailable revenue - delinquent property taxes	228,067	-	-	-	228,067
Fund balances:					
Nonspendable	294,389	-	-	-	294,389
Restricted	-	43,801	5,628,196	1,570,369	7,242,366
Committed	224,362	-	-	-	224,362
Assigned	39,886	98,766	-	-	138,652
Unassigned	13,121,118	(98,766)	-	-	13,022,352
Total fund balances	13,679,755	43,801	5,628,196	1,570,369	20,922,121
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,477,154	\$ 714,423	\$ 5,918,277	\$ 1,570,369	\$ 27,680,223

DAVISS COUNTY SCHOOL DISTRICT

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

June 30, 2014

Total fund balances - governmental funds \$ 20,922,121

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

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

Cost	\$ 169,253,678	
Accumulated depreciation	<u>(74,105,402)</u>	95,148,276

Certain assets not available to pay for current period expenditures:

BAB interest subsidy receivable	\$ 24,605	
Accrued interest receivable	22,216	
Deferred bond issuance costs		
Taxes receivable	<u>228,067</u>	274,888

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

Bonds payable	\$ (64,660,000)	
Issuance premiums	(35,498)	
Issuance discounts	912,936	
Deferred refunding charges	1,435,698	
Capital lease obligations	(1,759,936)	
KSBIT assessment	(146,789)	
Compensated absences	(2,786,109)	
Accrued interest payable	<u>(554,877)</u>	<u>(67,594,575)</u>

Net position of governmental activities \$ 48,750,710

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 23,914,629	\$ -	\$ -	\$ 4,833,167	\$ 28,747,796
Utility taxes	4,388,477	-	-	-	4,388,477
Tuition and fees	90,691	-	-	-	90,691
Earnings on investments	157,993	-	8,844	5,030	171,867
Other local revenue	507,200	841,405	-	78,681	1,427,286
State aid	55,048,632	3,984,466	-	3,453,122	62,486,220
Federal aid	237,678	5,781,063	-	193,700	6,212,441
Total revenues	84,345,300	10,606,934	8,844	8,563,700	103,524,778
Expenditures:					
Instruction	56,565,459	8,552,386	-	29,953	65,147,798
Support services:					
Student	3,328,043	715,798	-	-	4,043,841
Instructional staff	3,153,979	209,345	-	-	3,363,324
District administration	796,603	5,548	-	-	802,151
School administration	6,487,298	-	-	-	6,487,298
Business	1,791,816	-	-	-	1,791,816
Plant operation and maintenance	7,521,956	5,597	-	-	7,527,553
Student transportation	6,944,295	417,428	-	-	7,361,723
Community services	-	848,789	-	-	848,789
New building construction	-	-	163,261	5,000	168,261
Building renovations / additions	-	-	4,880,449	-	4,880,449
Debt service:					
Principal	-	-	-	4,940,000	4,940,000
Interest	-	-	-	2,064,908	2,064,908
Bond issuance costs	-	-	58,980	-	58,980
Total expenditures	86,589,449	10,754,891	5,102,690	7,039,861	109,486,891
Excess (deficiency) of revenues over expenditures	(2,244,149)	(147,957)	(5,093,846)	1,523,839	(5,962,113)
Other financing sources (uses):					
Proceeds from sale of capital assets	17,575	-	-	-	17,575
Proceeds from issuance of bonds	-	-	8,620,000	-	8,620,000
Proceeds from issuance of capital leases	946,297	-	-	-	946,297
Refunding bonds issued	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Discount on bonds issued	-	-	(130,521)	-	(130,521)
Premium on bonds issued	-	-	-	-	-
Operating transfers in	1,343,804	158,430	410,000	6,752,022	8,664,256
Operating transfers out	(158,430)	-	-	(8,427,022)	(8,585,452)
Total other financing sources (uses)	2,149,246	158,430	8,899,479	(1,675,000)	9,532,155
Net change in fund balances	(94,903)	10,473	3,805,633	(151,161)	3,570,042
Fund balance, June 30, 2013	13,774,658	33,328	1,822,563	1,721,530	17,352,079
Fund balance, June 30, 2014	\$ 13,679,755	\$ 43,801	\$ 5,628,196	\$ 1,570,369	\$ 20,922,121

DAVIESS 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, 2013

Net change in fund balances - total governmental funds \$ 3,570,042

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	\$ 6,268,706	
Depreciation expense	<u>(5,656,443)</u>	612,263

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (4,969)

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

Decrease in taxes receivable	\$ (9,776)	
Decrease in BAB interest subsidy receivable	(181)	
Decrease in accrued interest receivable	<u>(9,848)</u>	(19,805)

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	\$ 4,940,000	
Principal payments on lease obligations	1,060,313	
Bonds defeased	-	
Proceeds from issuance of bonds	(8,620,000)	
Proceeds from issuance of capital leases	(946,297)	
Discount on bonds issued	130,521	
Premium on bonds issued	-	
Deferred amounts on refunding	-	
Amortization of discounts on debt	(76,164)	
Amortization of premiums on debt	3,889	
Amortization of deferred refunding charges	<u>(265,684)</u>	(3,773,422)

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:

Increase in accrued sick leave liability	\$ (234,227)	
Increase in KSBIT assessment	(146,789)	
Increase in accrued interest payable	<u>(11,280)</u>	<u>(392,296)</u>

Change in net position of governmental activities \$ (8,187)

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
ASSETS			
Current assets:			
Cash	\$ 1,714,708	\$ 467,395	\$ 2,182,103
Accounts receivable:			
Operating	-	5,855	5,855
Due from other governments	90,511	-	90,511
Inventory	184,219	-	184,219
Total current assets	1,989,438	473,250	2,462,688
Noncurrent assets:			
Capital assets	3,046,210	221,451	3,267,661
Less accumulated depreciation	(2,211,659)	(125,690)	(2,337,349)
Total noncurrent assets	834,551	95,761	930,312
Total assets	2,823,989	569,011	3,393,000
LIABILITIES			
Current liabilities:			
Accounts payable	2,340	36	2,376
Unearned revenue	76,951	11,478	88,429
Total current liabilities	79,291	11,514	90,805
NET POSITION			
Net investment in capital assets	834,551	95,761	930,312
Unrestricted	1,910,147	461,736	2,371,883
Total net position	\$ 2,744,698	\$ 557,497	\$ 3,302,195

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

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

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Enterprise Funds		Total
	Food Service Fund	After School Fund	
Operating revenues:			
Charges for services	\$ 2,369,436	\$ 1,088,813	\$ 3,458,249
Other operating revenues	29,181	-	29,181
Total operating revenues	<u>2,398,617</u>	<u>1,088,813</u>	<u>3,487,430</u>
Operating expenses:			
Salaries and wages	1,994,878	743,092	2,737,970
Employee benefits	555,778	116,329	672,107
Professional and technical services	18,378	8,520	26,898
Property services	46,609	510	47,119
Other purchased services	157,329	1,835	159,164
Supplies and materials	3,962,763	154,108	4,116,871
Property	43,264	8,628	51,892
Miscellaneous	12,590	-	12,590
Depreciation	136,883	21,678	158,561
Total operating expenses	<u>6,928,472</u>	<u>1,054,700</u>	<u>7,983,172</u>
Operating income (loss)	<u>(4,529,855)</u>	<u>34,113</u>	<u>(4,495,742)</u>
Nonoperating revenues (expenses):			
Government grants	3,777,395	43,154	3,820,549
Donated commodities	993,083	-	993,083
Interest income	7,744	2,808	10,552
Total nonoperating revenues (expenses)	<u>4,778,222</u>	<u>45,962</u>	<u>4,824,184</u>
Income before transfers	248,367	80,075	328,442
Transfers out	<u>(78,804)</u>	<u>-</u>	<u>(78,804)</u>
Change in net position	169,563	80,075	249,638
Net position, June 30, 2013	<u>2,575,135</u>	<u>477,422</u>	<u>3,052,557</u>
Net position, June 30, 2014	<u>\$ 2,744,698</u>	<u>\$ 557,497</u>	<u>\$ 3,302,195</u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 2,377,138	\$ 1,089,932	\$ 3,467,070
Other operating revenues	29,182	-	29,182
Cash paid to / for:			
Employees	(2,550,656)	(859,421)	(3,410,077)
Supplies	(3,010,927)	(154,108)	(3,165,035)
Other services	(278,820)	(19,501)	(298,321)
Net cash provided by (used in) operating activities	<u>(3,434,083)</u>	<u>56,902</u>	<u>(3,377,181)</u>
Cash flows from noncapital financing activities:			
Government grants	4,057,295	43,154	4,100,449
Transfers out	(78,804)	-	(78,804)
Net cash provided by noncapital financing activities	<u>3,978,491</u>	<u>43,154</u>	<u>4,021,645</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(135,149)	(26,529)	(161,678)
Net cash used in capital and related financing activities	<u>(135,149)</u>	<u>(26,529)</u>	<u>(161,678)</u>
Cash flows from investing activities:			
Interest income	7,744	2,808	10,552
Net cash provided by investing activities	<u>7,744</u>	<u>2,808</u>	<u>10,552</u>
Net increase in cash and cash equivalents	<u>417,003</u>	<u>76,335</u>	<u>493,338</u>
Cash and cash equivalents:			
Beginning of year	<u>1,297,705</u>	<u>391,060</u>	<u>1,688,765</u>
End of year	<u>\$ 1,714,708</u>	<u>\$ 467,395</u>	<u>\$ 2,182,103</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (4,529,855)	\$ 34,113	\$ (4,495,742)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	136,883	21,678	158,561
Commodities used	993,083	-	993,083
Changes in assets and liabilities:			
Accounts receivable - operating	-	1,026	1,026
Inventory	(41,076)	-	(41,076)
Accounts payable	(820)	(8)	(828)
Deferred revenue	7,702	93	7,795
Net cash provided by (used in) operating activities	<u>\$ (3,434,083)</u>	<u>\$ 56,902</u>	<u>\$ (3,377,181)</u>
Noncash noncapital financing activities:			
Food commodities from the U.S. Department of Agriculture	<u>\$ 993,083</u>		

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2014

	Private Purpose Trust Fund	Activity Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 1,460,561
Accounts receivable	-	2,893
Inventory	-	25,731
	<u> </u>	<u> </u>
Total assets	<u> </u> -	<u> </u> 1,489,185
LIABILITIES		
Accounts payable	-	5,256
Due to General Fund	-	5,700
Due to Special Revenue Fund	-	6,000
Due to student groups	-	1,472,229
	<u> </u>	<u> </u>
Total liabilities	<u> </u> -	<u> </u> 1,489,185
NET POSITION	<u> </u> \$ -	<u> </u> \$ -

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions	\$ 1,500
Deductions:	
Student support services	<u>1,500</u>
Change in net position	-
Net position, June 30, 2013	<u>-</u>
Net position, June 30, 2014	<u><u>\$ -</u></u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

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). Board members are elected by the public and have decision making authority for the District.

The financial statements of the District include the financial activities of the Board and its blended component unit in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board, as described below.

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 position and the statement of activities display information about the District as a whole. These statements include the 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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

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.

The District reports the following funds:

Governmental Funds:

General Fund:

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.

Special Revenue Funds:

Special Revenue Fund:

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.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

District Activity Fund:

The District Activity Fund is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.

Capital Projects Funds:

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).

SEEK Capital Outlay Fund:

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.

FSPK Building Fund:

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.

Construction Fund:

The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the district

Debt Service Fund:

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 Funds (Enterprise):

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods or services be financed or recovered primarily through user charges.

Food Service Fund:

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). Revenues are primarily charges for meals. Amounts have been recorded for in-kind contributions of commodities from the USDA. This is a major fund of the District.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

After School Fund:

The After School Fund is used to account for after school programs established to provide supervised activities for students after dismissal. Revenues are primarily charges for childcare.

Fiduciary Funds:

Private Purpose Trust Fund:

The Private Purpose Trust Fund accounts for assets held by the District in a trustee capacity.

School Activity Funds:

The School 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.

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

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.

Unearned Revenue – Unearned 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 unearned 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.

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 assigned fund balance. 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.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

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. Major receivable balances for the governmental activities include federal and state funding and taxes. Balances deemed uncollectible are written off; therefore the District does not record an allowance for doubtful accounts.

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:

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

<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

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, 2013, on which the levy for the 2014 fiscal year was based, totaled \$4,833,166,154. 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, 2014, to finance General Fund and FSPK Building Fund operations were 49.8 cents and 11.4 cents per \$100 valuation, respectively, for a total of 61.2 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.

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Bonds and Related Premiums, Discounts, and Issuance Costs, Continued

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position

The District classifies net position in the government-wide financial statements as follows:

- Net investment in capital assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- Unrestricted net position typically includes unrestricted liquid assets. The Board of Education has the authority to revisit or alter this designation.

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.

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

2. Summary of Significant Accounting Policies, Continued

Fund Balance Classification, Continued

- 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.

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.

3. Deposits and Investments

Deposits

Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States and of its agencies and instrumentalities; certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity, providing such institutions

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

3. Deposits and Investments

Deposits, Continued

pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of the State of Kentucky and of its agencies and instrumentalities; securities issued by a state or local government, or any instrumentality or agency thereof in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and shares of mutual funds as more fully described in KRS 66.480.

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.

At June 30, 2014, 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 in May of 2015.

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

At June 30, 2014, 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	\$ 1,215,313	\$ -	\$ 1,215,313	\$ -	\$ -	\$ -
U.S. agencies obligations	938,418	-	219,217	568,713	150,488	-
Corporate bonds and notes	-	-	-	-	-	-
U.S. savings bonds	-	-	-	-	-	-
Bank certificates of deposit	850,171	250,976	350,197	248,998	-	-
Mutual funds – fixed income	<u>1,295,717</u>	-	-	-	-	<u>1,295,717</u>
Total investments	\$ <u>4,299,619</u>	\$ <u>250,976</u>	\$ <u>1,784,727</u>	\$ <u>817,711</u>	\$ <u>150,488</u>	\$ <u>1,295,717</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

3. Deposits and Investments, Continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty, a government may not be able to recover the value of its investments that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. The mutual funds were rated three stars by Morningstar. Investments of the District held in U.S. government agency obligations carry the explicit guarantee of the U.S. government and, therefore, are not subject to custodial credit risk.

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, 2013, 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, 2013, consisted of:

Governmental activities:	
Interest and dividend income	\$ 227,358
Net decrease in fair value of investments	75,211
Realized gain on sale of investments	(128,596)
Investment expenses	<u>(11,954)</u>
	162,019
Business-type activities:	
Interest and dividend income	<u>10,552</u>
	\$ <u>172,571</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, 2014

4. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,484,809	\$ -	\$ -	\$ 3,484,809
Construction in progress	<u>853,251</u>	<u>4,462,333</u>	<u>(1,956,126)</u>	<u>3,359,458</u>
Total capital assets, not being depreciated	<u>4,338,060</u>	<u>4,462,333</u>	<u>(1,956,126)</u>	<u>6,844,267</u>
Capital assets, being depreciated:				
Land improvements	2,775,280	-	-	2,775,280
Buildings and improvements	130,730,988	1,956,126	-	132,687,114
Technology equipment	11,237,191	1,238,649	(158,239)	12,317,601
Vehicles	10,188,430	475,446	(366,648)	10,297,228
General equipment	<u>4,257,363</u>	<u>92,278</u>	<u>(17,453)</u>	<u>4,332,188</u>
Totals capital assets, being depreciated	<u>159,189,252</u>	<u>3,762,499</u>	<u>(542,340)</u>	<u>162,409,411</u>
Less accumulated depreciation:				
Land improvements	(1,903,894)	(81,024)	-	(1,984,918)
Buildings and improvements	(50,496,610)	(3,255,437)	-	(53,752,047)
Technology equipment	(7,665,295)	(1,346,406)	156,321	(8,855,380)
Vehicles	(6,072,633)	(709,023)	366,648	(6,415,008)
General equipment	<u>(2,847,898)</u>	<u>(264,553)</u>	<u>14,402</u>	<u>(3,098,049)</u>
Total accumulated depreciation	<u>(68,986,330)</u>	<u>(5,656,443)</u>	<u>537,371</u>	<u>(74,105,402)</u>
Total capital assets, being depreciated, net	<u>90,202,922</u>	<u>(1,893,944)</u>	<u>(4,969)</u>	<u>88,304,009</u>
Governmental activities:				
Capital assets, net	<u>\$ 94,540,982</u>	<u>\$ 2,568,389</u>	<u>\$ (1,961,095)</u>	<u>\$ 95,148,276</u>
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Land improvements	\$ 15,452	\$ -	\$ -	\$ 15,452
Technology equipment	341,713	23,962	(1,121)	364,554
Vehicles	18,557	-	-	18,557
General equipment	<u>2,740,534</u>	<u>137,716</u>	<u>(9,152)</u>	<u>2,869,098</u>
Total capital assets, being depreciated	<u>3,116,256</u>	<u>161,678</u>	<u>(10,273)</u>	<u>3,267,661</u>
Less accumulated depreciation:				
Land improvements	(6,183)	(770)	-	(6,953)
Technology equipment	(282,428)	(19,355)	1,121	(300,662)
Vehicles	(18,557)	-	-	(18,557)
General equipment	<u>(1,881,893)</u>	<u>(138,436)</u>	<u>9,152</u>	<u>(2,011,177)</u>
Total accumulated depreciation	<u>(2,189,061)</u>	<u>(158,561)</u>	<u>10,273</u>	<u>(2,337,349)</u>
Business-type activities:				
Capital assets, net	<u>\$ 927,195</u>	<u>\$ 3,117</u>	<u>\$ -</u>	<u>\$ 930,312</u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

4. Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,040,635
Support services:	
Student	591
Instructional staff	1,329
District administration	75,679
School administration	1,133
Business support	455
Plant operations and maintenance	1,846,412
Student transportation	<u>690,209</u>
Total depreciation expense	<u>\$ 5,656,443</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 60,980,000	\$ 8,620,000	\$ (4,940,000)	\$ 64,660,000	\$ 4,490,000
Deferred amounts:					
For issuance premiums	39,387	-	(3,889)	35,498	-
For issuance discounts	(858,579)	(130,521)	76,164	(912,936)	-
Capital lease obligations	<u>1,873,952</u>	<u>946,297</u>	<u>(1,060,313)</u>	<u>1,759,936</u>	<u>849,866</u>
Total long-term debt	<u>62,034,760</u>	<u>9,435,776</u>	<u>(5,928,038)</u>	<u>65,542,498</u>	<u>5,339,866</u>
KSBIT assessment	<u>-</u>	<u>146,789</u>	<u>-</u>	<u>146,789</u>	<u>36,697</u>
Compensated absences:					
Accrued sick leave	<u>2,551,882</u>	<u>675,013</u>	<u>(440,786)</u>	<u>2,786,109</u>	<u>457,568</u>
Total long-term liabilities	<u>\$ 64,586,642</u>	<u>\$ 10,257,578</u>	<u>\$ (6,368,824)</u>	<u>\$ 68,475,396</u>	<u>\$ 5,834,131</u>

Compensated absences and the insurance assessment are expected to be 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.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

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, 2014, is as follows:

		<u>District</u>		<u>Commission</u>		<u>Total</u>
Balance, June 30, 2013	\$	60,788,188	\$	191,812	\$	60,980,000
Issued		8,620,000		-		8,620,000
Retired		<u>(4,889,730)</u>		<u>(50,270)</u>		<u>(4,940,000)</u>
Balance, June 30, 2014	\$	<u>64,518,458</u>	\$	<u>141,542</u>	\$	<u>64,660,000</u>

A summary of the interest rates, maturities, and balances as of June 30, 2014, is as follows:

	Range of Interest Rates	Final Maturity	<u>Balance, June 30, 2014</u>		
			<u>District</u>	<u>Commission</u>	<u>Total</u>
2002A Issue	2.00 – 4.400%	2012	-	-	-
2002B Issue	2.00 – 3.750%	2014	-	-	-
2003 Issue	1.65 – 4.000%	2023	345,000	-	345,000
2004A Issue	2.00 – 3.625%	2015	251,380	28,620	280,000
2004B Issue	2.00 – 3.625%	2016	2,455,000	-	2,455,000
2004C Issue	2.00 – 5.000%	2024	305,000	-	305,000
2005A Issue	3.00 – 4.400%	2025	120,000	-	120,000
2005B Issue	3.50 – 3.750%	2017	842,078	112,922	955,000
2006 Issue	4.21%	2026	650,000	-	650,000
2007A Issue	4.21%	2027	2,930,000	-	2,930,000
2007B Issue	4.00 – 4.500%	2027	9,565,000	-	9,565,000
2008A Issue	3.00 – 3.400%	2020	2,090,000	-	2,090,000
2008B Issue	3.00 – 3.750%	2028	4,840,000	-	4,840,000
2010A Issue	1.70 – 5.500%	2030	2,015,000	-	2,015,000
2010B Issue	0.80 – 5.500%	2030	10,555,000	-	10,555,000
2011 Issue	0.75 – 2.125%	2023	9,730,000	-	9,730,000
2012 Issue	2.00 – 2.500%	2024	3,780,000	-	3,780,000
2013A Issue	1.50 – 3.25%	2033	1,970,000	-	1,970,000
2013B Issue	1.000 – 2.00%	2026	3,455,000	-	3,455,000
2014 Issue	0.35 – 3.625%	2034	8,620,000	-	8,620,000
			<u>\$ 64,518,458</u>	<u>\$ 141,542</u>	<u>\$ 64,660,000</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

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, 2014, for debt service (principal and interest) are as follows:

Year Ending June 30,	Daviness County School District			Kentucky School Facility Construction Commission			
	Principal	Interest	District Total	Principal	Interest	Commission Total	Total
2015	\$ 4,437,941	\$ 2,112,061	\$ 6,550,002	\$ 52,059	\$ 4,876	\$ 56,935	\$ 6,606,937
2016	4,571,528	1,994,139	6,565,667	48,472	3,089	51,561	6,617,228
2017	4,233,989	1,842,227	6,076,216	41,011	1,538	42,549	6,118,765
2018	4,360,000	1,716,060	6,076,060	-	-	-	6,076,060
2019	4,460,000	1,589,782	6,049,782	-	-	-	6,049,782
2020– 2024	24,315,000	5,882,274	30,197,274	-	-	-	30,197,274
2025– 2029	13,830,000	2,395,460	16,225,460	-	-	-	16,225,460
2030– 2034	4,310,000	402,087	4,712,087	-	-	-	4,712,087
	<u>\$ 64,518,458</u>	<u>\$ 17,934,090</u>	<u>\$ 82,452,548</u>	<u>\$ 141,542</u>	<u>\$ 9,503</u>	<u>\$ 151,045</u>	<u>\$ 82,603,593</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, 2014, totaled \$2,547,481, of which \$2,347,297 was paid by the District, \$6,665 was paid by the Commission, and \$193,519 subsidized under the Build America Bond program discussed below.

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, 2014, \$21,545,000 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 2014 totaled \$193,519, net of a reduction of \$15,298, due to sequestration. Remaining interest subsidies through maturity of the bonds, assuming no further sequestration reductions, are as follows:

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

Year Ending June 30:

2015	\$	203,949
2016		197,928
2017		191,028
2018		182,392
2019		172,872
2020-2024		695,610
2025-2029		348,326
2030		<u>18,962</u>
	\$	<u>2,011,067</u>

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, 2014, totaled \$1,654,056, net of accumulated depreciation of \$2,738,162. Amortization of these capital leases included in depreciation expense totaled \$686,946 for the year ended June 30, 2014. The following is a schedule by year of future minimum lease payments under capital lease obligations including interest at rates of 1.981% to 11.867%, together with the present value of the future minimum lease payments as of June 30, 2014:

2014	\$	898,901
2015		614,670
2016		320,948
2017		<u>5,463</u>
Total minimum lease payments		1,839,982
Less amount representing interest		<u>80,046</u>
Present value of future minimum lease payments	\$	<u>1,759,936</u>

Interest expense on capital lease obligations for the year ended June 30, 2014, totaled \$68,286.

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 \$2,786,109 at June 30, 2014, and is recorded as a long-term liability in the district-wide financial statements.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

5. Long-Term Liabilities, Continued

Compensated Absences, Continued

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, 2014, were paid prior to fiscal year end and, therefore, no amount has been accrued in the governmental fund financial statements.

KSBIT Assessment

In years prior to fiscal year 2000, the District participated in the Kentucky School Board Insurance Trust, which has become insolvent. In accordance with the original participation agreement and a court order dated June 4, 2014, each participant in the trust in any prior year was levied an assessment to cover the deficit in order to close the trust. Installment amounts to be paid by the District are as follows:

Year Ending June 30:		
2015	\$	36,697
2016		18,349
2017		18,349
2018		18,349
2019		18,349
2020		18,348
2021		18,348
		18,348
	\$	146,789

6. Interfund Receivables and Payables

Interfund balances at June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,700	\$ -
Special Revenue Fund	6,000	-
Activity Funds	-	11,700
	\$ 11,700	\$ 11,700

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

7. **Deferred Outflows/Inflows of Resources, Continued**

a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category: the deferred charge on refunding reported in the government-wide statement of net position totaling \$1,435,698 at June 30, 2014. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category: General Fund delinquent property taxes totaling \$228,067 at June 30, 2014. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the District and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

Unearned revenue in the fund and government-wide financial statements at June 30, 2014, was as follow:

Governmental activities:		
General Fund:		
Unearned contract revenue	\$	68,608
Special Revenue Fund:		
Unearned grant revenue		<u>662,392</u>
		<u>731,000</u>
Business-type activities:		
Food Service Fund:		
Prepaid meal charges		76,951
After School Fund:		
Prepaid fees		<u>11,478</u>
		<u>88,429</u>
	\$	<u>819,429</u>

DAVIESS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

8. Leases

The Daviess County School District leases equipment under cancelable operating leases. Commitments under operating lease agreements described above provide for minimum future rental payments as of June 30, 2014, as follows:

Year ending June 30:	
2015	\$ 105,125
2016	78,326
2017	56,738
2018	<u>29,114</u>
Total minimum rentals	\$ <u>269,303</u>

Rental expense for operating leases, including contingent rentals on a per copy basis of \$117,688 totaled \$261,964 for the year ended June 30, 2014.

9. 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:

Plan members	11.355%
Commonwealth of Kentucky:	
Employees not working in federal programs	14.605%
District:	
Employees working in federal programs	14.605%
Employees not working in federal programs	1.5%

Amounts contributed by the District for the years ended June 30, 2014, 2013, and 2012 totaled \$1,110,401, \$901,141, and \$620,431, 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.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

9. Defined Benefit Retirement Plans, Continued

KTRS On-behalf Payments: The District has recorded the 14.605% contributions made by the Commonwealth of Kentucky totaling \$6,049,065 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 Statue 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 18.89% 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, 2014, 2013, and 2012 totaled \$2,837,867, \$2,913,976, and \$2,814,788, respectively, and equaled the required contributions for each year.

10. 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 insurance	\$ 10,011,018
KTRS contributions	6,049,065
Flex spending	945,409
State life insurance	25,875
Technology	86,037
	<u>\$ 17,117,404</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

11. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2014, is as follows:

	Major Governmental Funds			Nonmajor Governmental Funds			Total
	General Fund	Special Revenue Fund	Construction Fund	District Activity Fund	FSPK Building Fund	Total Nonmajor Governmental Funds	
Fund balances:							
Nonspendable:							
Inventory	\$ 294,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,389
Restricted for:							
Future capital needs	-	-	5,628,196	-	1,521,641	1,521,641	7,149,837
Other	-	-	-	48,728	-	48,728	48,728
Technology	-	43,801	-	-	-	-	43,801
	<u>-</u>	<u>43,801</u>	<u>5,628,196</u>	<u>48,728</u>	<u>1,521,641</u>	<u>1,570,369</u>	<u>7,242,366</u>
Committed:							
Site-based carryforward	224,362	-	-	-	-	-	224,362
Assigned:							
Purchase obligations	39,886	98,766	-	-	-	-	138,652
Unassigned	13,121,118	(98,766)	-	-	-	-	13,022,352
Total fund balances	\$ <u>13,679,755</u>	\$ <u>43,801</u>	\$ <u>5,628,196</u>	\$ <u>48,728</u>	\$ <u>1,521,641</u>	\$ <u>1,570,369</u>	\$ <u>20,922,121</u>

The District has \$5,050,759 of encumbrances of operating funds in major and nonmajor funds at June 30, 2014, rolled over into the next fiscal year.

12. Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	Transfers in:					Total
	Major Governmental Funds			Nonmajor Governmental Fund		
	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund		
<u>Transfers out:</u>						
Major Governmental Funds:						
General Fund	\$ -	\$ 158,430	\$ -	\$ -		\$ 158,430
Nonmajor Governmental Funds:						
SEEK Capital Outlay Fund	997,497	-	-	-		997,497
FSPK Building Fund	267,503	-	410,000	6,752,022		7,429,525
						<u>8,427,022</u>
Major Enterprise Fund:						
Food Service Fund	78,804	-	-	-		78,804
	\$ <u>1,343,804</u>	\$ <u>158,430</u>	\$ <u>410,000</u>	\$ <u>6,752,022</u>		\$ <u>8,664,256</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

12. Transfers, Continued

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.

13. 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.

14. 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 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.

15. Commitments

During fiscal year 2014, the District entered into construction contracts totaling \$5,934,023 for various facility improvements. Remaining commitments under these contracts totaled \$4,014,764 at June 30, 2014, of which \$289,414 was included in accounts payable in the Construction Fund.

16. Impact of Recently Issued Accounting Principles

In fiscal year 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASBS No. 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

16. Impact of Recently Issued Accounting Principles, Continued

Under GASBS No. 65, debt issuance costs will now be expensed when incurred, instead of being amortized over the term of the bond. As such, the implementation of GASBS No. 65 resulted in a reduction of beginning net position in the governmental activities of \$485,308. Accordingly, net position at June 30, 2013 previously reported at \$49,244,205 has been restated as \$48,758,897, to reflect this change.

GASBS No. 65 also resulted in the reclassification of the deferred charges on prior years' debt refunding transactions in the government-wide statement of net position. These amounts, totaling \$1,435,698 at June 30, 2014, are now reported as deferred outflows of resources instead of as a reduction of long-term debt.

Additionally, GASB No. 65 resulted in the reclassification of unavailable revenue related to delinquent property taxes as deferred inflows of resources in the governmental funds balance sheet. This unavailable revenue totaled \$ 228,067 at June 30, 2014.

17. Subsequent Event

In September of 2014, the District purchased property and an existing building for \$2.4 million to house the alternative school program. The purchase will be financed with proceeds from the issuance of school revenue bonds.

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 24,056,802	\$ 24,106,802	\$ 23,914,629	\$ (192,173)
Utility taxes	3,600,000	4,188,500	4,388,477	199,977
Tuition and fees	90,000	90,000	90,691	691
Earnings on investments	250,000	175,000	157,993	(17,007)
Other local revenue	645,500	504,500	507,200	2,700
State aid	55,010,103	55,048,212	55,048,632	420
Federal aid	180,000	237,000	237,678	678
Total revenues	83,832,405	84,350,014	84,345,300	(4,714)
Expenditures:				
Instruction	58,421,464	57,143,482	56,565,459	578,023
Support services:				
Student	2,973,854	3,333,621	3,328,043	5,578
Instructional staff	3,411,894	3,305,565	3,153,979	151,586
District administration	8,661,464	10,316,964	796,603	9,520,361
School administration	6,691,181	6,773,445	6,487,298	286,147
Business	1,967,102	1,992,183	1,791,816	200,367
Plant operation and maintenance	7,048,972	8,834,032	7,521,956	1,312,076
Student transportation	7,246,490	7,510,690	6,944,295	566,395
Community services	-	-	-	-
Building renovations / additions	-	-	-	-
Total expenditures	96,422,421	99,209,982	86,589,449	12,620,533
Excess (deficiency) of revenues over expenditures	(12,590,016)	(14,859,968)	(2,244,149)	12,615,819
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	15,000	17,575	2,575
Proceeds from issuance of capital leases	-	-	946,297	946,297
Operating transfers in	112,050	1,343,804	1,343,804	-
Operating transfers out	(270,000)	(270,000)	(158,430)	111,570
Total other financing sources (uses)	(142,950)	1,088,804	2,149,246	1,060,442
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	(12,732,966)	(13,771,164)	(94,903)	13,676,261
Fund balance, June 30, 2013	13,774,658	13,774,658	13,774,658	-
Fund balance, June 30, 2014	\$ 1,041,692	\$ 3,494	\$ 13,679,755	\$ 13,676,261

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local revenue	\$ 368,205	\$ 383,475	\$ 841,405	\$ 457,930
State aid	3,520,659	3,916,039	3,984,466	68,427
Federal aid	5,656,602	5,515,972	5,781,063	265,091
Total revenues	<u>9,545,466</u>	<u>9,815,486</u>	<u>10,606,934</u>	<u>791,448</u>
Expenditures:				
Instruction	7,695,357	7,833,961	8,552,386	(718,425)
Support services:				
Student	665,481	663,416	715,798	(52,382)
Instructional staff	240,347	85,672	209,345	(123,673)
District administration	9,328	9,032	5,548	3,484
Plant operation and maintenance	5,597	5,419	5,597	(178)
Student transportation	379,249	465,550	417,428	48,122
Community services	783,057	880,606	848,789	31,817
Total expenditures	<u>9,778,416</u>	<u>9,943,656</u>	<u>10,754,891</u>	<u>(811,235)</u>
Excess (deficiency) of revenues over expenditures	<u>(232,950)</u>	<u>(128,170)</u>	<u>(147,957)</u>	<u>(19,787)</u>
Other financing sources (uses):				
Operating transfers in	270,000	158,430	158,430	-
Operating transfers out	<u>(37,050)</u>	<u>(30,260)</u>	<u>-</u>	<u>30,260</u>
Total other financing sources (uses)	<u>232,950</u>	<u>128,170</u>	<u>158,430</u>	<u>30,260</u>
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	-	-	10,473	10,473
Fund balance, June 30, 2013	<u>33,328</u>	<u>33,328</u>	<u>33,328</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 33,328</u>	<u>\$ 33,328</u>	<u>\$ 43,801</u>	<u>\$ 10,473</u>

DAVISS COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special	Capital Projects			Total Nonmajor Governmental Funds
	Revenue	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	
	District Activity Fund				
ASSETS					
Cash and cash equivalents	\$ 48,728	\$ -	\$ 1,521,641	\$ -	\$ 1,570,369
Accounts receivable:					
Other	-	-	-	-	-
Total assets	<u>\$ 48,728</u>	<u>\$ -</u>	<u>\$ 1,521,641</u>	<u>\$ -</u>	<u>\$ 1,570,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted	48,728	-	1,521,641	-	1,570,369
Assigned	-	-	-	-	-
Total fund balances	<u>48,728</u>	<u>-</u>	<u>1,521,641</u>	<u>-</u>	<u>1,570,369</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,728</u>	<u>\$ -</u>	<u>\$ 1,521,641</u>	<u>\$ -</u>	<u>\$ 1,570,369</u>

DAVISS COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	Special Revenue	Capital Projects			Total Nonmajor Governmental Funds
	District Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	
Revenues:					
Property taxes	\$ -	\$ -	\$ 4,833,167	\$ -	\$ 4,833,167
Earnings on investments	-	-	5,030	-	5,030
Other local revenue	78,681	-	-	-	78,681
State aid	-	997,497	2,398,690	56,935	3,453,122
Federal aid	-	-	-	193,700	193,700
Total revenues	78,681	997,497	7,236,887	250,635	8,563,700
Expenditures:					
Instruction	29,953	-	-	-	29,953
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
New building construction	-	-	5,000	-	5,000
Building renovations / additions	-	-	-	-	-
Debt service:					
Principal	-	-	-	4,940,000	4,940,000
Interest	-	-	2,251	2,062,657	2,064,908
Bond issuance costs	-	-	-	-	-
Total expenditures	29,953	-	7,251	7,002,657	7,039,861
Excess (deficiency) of revenues over expenditures	48,728	997,497	7,229,636	(6,752,022)	1,523,839
Other financing sources (uses):					
Refunding bonds issued	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Proceeds from the issuance of bonds	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Operating transfers in	-	-	-	6,752,022	6,752,022
Operating transfers out	-	(997,497)	(7,429,525)	-	(8,427,022)
Total other financing sources (uses)	-	(997,497)	(7,429,525)	6,752,022	(1,675,000)
Net change in fund balances	48,728	-	(199,889)	-	(151,161)
Fund balances, June 30, 2013	-	-	1,721,530	-	1,721,530
Fund balances, June 30, 2014	\$ 48,728	\$ -	\$ 1,521,641	\$ -	\$ 1,570,369

DAVISS COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Group June 30, 2014
Apollo High	\$ 380,973	\$ 912,708	\$ 924,776	\$ 368,905	\$ 603	\$ 16,920	\$ 7,542	\$ 378,886
Audubon Elementary	42,611	113,667	90,097	66,181	-	-	-	66,181
Beacon Central	9,620	12,751	10,878	11,493	-	-	-	11,493
Burns Elementary	27,146	103,095	94,693	35,548	-	28	-	35,576
Burns Middle	138,411	292,605	333,398	97,618	-	1,407	-	99,025
College View Middle	87,576	240,921	223,609	104,888	-	33	-	104,921
Country Heights Elementary	35,245	95,408	106,473	24,180	-	-	-	24,180
Daviess County High	307,572	1,415,905	1,429,508	293,969	2,290	4,545	7,250	293,554
Daviess County Middle	85,343	268,302	278,191	75,454	-	-	-	75,454
Deer Park Elementary	59,196	113,492	98,310	74,378	-	-	2,164	72,214
East View Elementary	21,691	106,439	96,611	31,519	-	756	-	32,275
Highland Elementary	84,267	159,037	172,485	70,819	-	1,791	-	72,610
Meadow Lands Elementary	33,629	94,377	98,367	29,639	-	-	-	29,639
Sorgho Elementary	81,011	82,914	116,367	47,558	-	-	-	47,558
Southern Oaks Elementary	30,099	66,916	66,509	30,506	-	-	-	30,506
Tamarack Elementary	36,281	126,564	122,424	40,421	-	102	-	40,523
West Louisville Elementary	36,020	27,054	31,588	31,486	-	85	-	31,571
Whitesville Elementary	22,035	85,315	81,351	25,999	-	64	-	26,063
	<u>\$ 1,518,726</u>	<u>\$ 4,317,470</u>	<u>\$ 4,375,635</u>	<u>\$ 1,460,561</u>	<u>\$ 2,893</u>	<u>\$ 25,731</u>	<u>\$ 16,956</u>	<u>\$ 1,472,229</u>

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
General Fund	\$ 1,516	\$ 75	\$ 210	\$ -	\$ 1,381	\$ -	\$ -	\$ -	\$ 1,381
Office	2,160	501	14,976	12,325	10	-	-	-	10
AHS Alumni	10	-	-	-	10	-	-	-	10
DCPS Foundation Grants	489	-	387	-	102	-	-	-	102
Ap Exams	3,686	28,878	28,513	(75)	3,976	-	-	-	3,976
Banquet	-	2,700	1,238	-	1,462	-	-	-	1,462
Band Uniforms	107	-	-	-	107	-	-	-	107
Graduation	-	-	8,069	8,069	-	-	-	-	-
Prom	113	8,800	9,888	975	-	-	-	-	-
Computer	1,251	-	-	-	1,251	-	-	-	1,251
Contingency	36,313	100	12,964	(923)	22,526	-	-	-	22,526
Fundraiser	-	2,626	533	(2,093)	-	-	-	-	-
Guidance	7,231	1,659	5,362	1,857	5,385	-	-	-	5,385
Intramural	750	30	-	(617)	163	-	-	-	163
Interest	-	2,579	-	(2,579)	-	-	-	-	-
Locks	-	75	-	-	75	-	-	-	75
Necessities	236	-	-	-	236	-	-	-	236
Over Your Head	1,028	526	495	115	1,174	-	1,470	-	2,644
Project Graduation	-	5,190	4,696	-	494	-	-	-	494
Renaissance	334	794	781	(11)	336	-	-	-	336
Challenger	2,971	1,286	1,856	480	2,881	-	-	-	2,881
Student Exam Fee Reimbursement	-	10,571	10,556	(15)	-	-	-	-	-
Video Yearbook	1,480	1,057	549	(8)	1,980	-	-	-	1,980
Career Options	-	-	-	-	-	-	-	-	-
Yearbook	35,578	16,943	26,692	180	26,009	-	-	-	26,009
Student Assistance	2,725	3,013	2,715	(25)	2,998	-	-	-	2,998
AMP	-	-	587	587	-	-	-	-	-
Weight Room	-	35,000	35,000	-	-	-	-	-	-
Teacher of the Year Award	-	200	200	-	-	-	-	-	-
Student Vending	1,525	2,410	919	-	3,016	25	-	-	3,041
Adult Vending	1,504	1,718	2,697	(53)	472	61	-	-	533
Adult Scrip	-	20	-	(20)	-	-	-	-	-
Athletic Director	214	-	241	990	963	-	-	-	963
Boys Basketball	236	11,060	22,218	10,922	-	50	-	-	50
Athletic Booster	2,137	78,486	46,707	(30,522)	3,394	-	6,513	-	9,907
Baseball/Lt	11,632	29,190	8,200	(16,000)	16,622	-	-	-	16,622
Baseball	-	1,940	24,639	22,855	156	-	-	-	156
Boys Cross Country	1,831	1,259	5,148	3,354	1,296	-	-	-	1,296
Boys CC L/T	849	-	-	-	849	-	-	-	849
Girls Cross Country	2,918	42	1,834	1,481	2,607	-	-	-	2,607
Girls CC L/T	467	-	-	-	467	-	-	-	467
Cheerleaders	4,129	32,938	44,112	7,045	-	-	-	-	-

DAVIESS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
E-Gals	7,758	19,440	15,486	(2,109)	9,603	-	-	-	9,603
Eaglettes	7,775	37,033	40,684	3,424	7,548	-	-	480	7,068
Football	11,481	13,364	41,004	16,603	444	-	-	-	444
Field Maintenance	12	-	-	(12)	-	-	-	-	-
General Athletics	14,581	4,776	19,482	24,052	23,927	111	-	2,200	21,838
Girls Basketball	500	48	14,212	13,668	4	160	-	-	164
Girls Golf	256	-	1,033	1,481	704	-	-	-	704
Boys Golf	699	1,160	2,550	1,481	790	-	-	-	790
Gate	-	80,743	5,216	(75,527)	-	-	-	-	-
Girls Track	586	1,450	3,507	3,243	1,772	-	-	-	1,772
Softball	129	27,879	33,629	6,529	908	-	-	-	908
Softball L/T	1,184	-	-	-	1,184	-	-	-	1,184
Girls Soccer	24	21,417	24,609	5,309	2,141	-	-	-	2,141
Girls Soccer L/T	85	-	-	-	85	-	-	-	85
Boys Soccer	90	9,277	11,524	3,809	1,652	-	-	360	1,292
Sports Programs Sales	-	215	320	105	-	-	-	-	-
AA Sports Prog. Ads	1,800	1,270	434	(2,636)	-	-	-	-	-
Supply Store	1,000	11,470	9,442	(2,028)	1,000	-	8,937	-	9,937
Swim Team/G&B	746	2,218	3,948	2,116	1,132	-	-	-	1,132
Tennis/B&G	3,050	4,919	6,568	2,962	4,363	-	-	-	4,363
District Tourney Girls	-	5,558	5,558	-	-	-	-	-	-
District Tourney Boys	-	15,295	13,208	(2,087)	-	-	-	-	-
Boys Track	1,013	1,654	4,603	3,243	1,307	-	-	-	1,307
Athletic Vending	-	1,456	-	(1,456)	-	26	-	-	26
Volleyball	5,915	15,515	18,646	4,454	7,238	-	-	-	7,238
Wrestling	4,837	1,350	2,024	3,150	7,313	-	-	-	7,313
AA V Slamdown Tourney	1,455	3,800	4,546	(709)	-	-	-	-	-
AA Region Tourney Boys	-	-	60	-	-	-	-	-	-
AA Region Tourney Girls	-	7,255	6,988	(267)	-	-	-	-	-
Art Club	88	-	-	-	88	-	-	-	88
Beta	529	6,175	6,104	-	600	-	-	-	600
Drama	2,686	9,226	8,028	-	3,884	-	-	-	3,884
Council For Ex Child	3,171	4,470	3,828	-	3,813	-	-	-	3,813
FFA Alumni	3,926	795	1,449	-	3,272	-	-	-	3,272
FBLA	2,484	6,576	8,332	(1)	727	-	-	-	727
FCA	53	-	-	-	53	-	-	-	53
Future Ed Of America	193	-	-	-	193	-	-	-	193
FFA	-	40,933	39,808	1,884	3,009	170	-	-	3,179
FCCLA	142	-	-	-	142	-	-	-	142
Strategic Gaming	469	1,096	988	-	577	-	-	-	577
Musical/Chorus/Drama	1,325	2,153	2,446	-	1,032	-	-	-	1,032
Thespian Society	320	4,390	3,444	-	1,266	-	-	-	1,266
Habitat	20	310	310	-	20	-	-	-	20

DAVIESS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
AYL Academy Young Leaders	84	200	-	-	284	-	-	-	284
Academic Team	18	77	789	694	-	-	-	-	-
Spanish Club	231	220	110	-	341	-	-	-	341
Latin Dance Club	164	-	-	-	164	-	-	-	164
Key Club	2,625	432	441	31	2,647	-	-	-	2,647
National Honor Society	463	1,218	-	-	1,681	-	-	-	1,681
PTSO	202	385	500	-	87	-	-	-	87
Student Council	8,449	7,592	6,266	(958)	8,817	-	-	-	8,817
Stand	348	-	47	-	301	-	-	-	301
Project 88 Fitness	-	-	115	115	-	-	-	-	-
Spirit Club	-	1,201	1,180	(21)	-	-	-	-	-
KYA	38	2,760	3,006	208	-	-	-	-	-
Young Democrats	-	-	-	-	-	-	-	-	-
Young Republicans	68	-	-	-	68	-	-	-	68
TSA	1,209	2,950	1,578	(204)	2,377	-	-	-	2,377
STLP	708	73	332	190	639	-	-	-	639
AFJROTC Activities	5,811	25,450	23,884	375	7,752	-	-	-	7,752
AFJROTC Scholarship Fund	400	-	300	-	100	-	-	-	100
Archery Club	141	1,686	1,289	15	553	-	-	-	553
Career Ntwk Poster Printer	-	-	-	64	64	-	-	-	64
WKSLs	318	-	(30)	-	348	-	-	-	348
Ag	3,495	-	10,297	6,802	-	-	-	-	-
Art	966	-	3,510	3,349	805	-	-	-	805
Band	3,087	50,892	52,263	3,688	5,404	-	-	3,500	1,904
Business	2,155	-	2,905	1,882	1,132	-	-	-	1,132
Chorus	1,111	6,728	7,210	551	1,180	-	-	-	1,180
Career Netwking (Dotp)	669	-	-	191	860	-	-	-	860
Driver Ed	-	-	10	10	-	-	-	-	-
English	997	170	1,978	1,485	674	-	-	-	674
Freshman Team	-	-	1,564	1,564	-	-	-	-	-
Sophomore Team	-	-	1,390	1,390	-	-	-	-	-
Junior Team	-	-	2,234	2,234	-	-	-	-	-
Fine Arts	195	195	1,050	948	288	-	-	-	288
Senior Team	-	-	2,932	2,932	-	-	-	-	-
Foreign Language	1,745	-	759	1,478	2,464	-	-	-	2,464
Stamp Test-World Lang.	-	881	505	(376)	-	-	-	-	-
Fmd Ss Christmas Play	147	365	158	102	456	-	-	-	456
Greenhouse	2,378	7,294	8,715	608	1,565	-	-	-	1,565
Consumer Science	2,229	-	2,124	2,005	2,110	-	-	-	2,110
Math	2,870	200	1,822	1,468	2,716	-	-	-	2,716
MMD/Head	-	-	-	-	-	-	-	-	-
MMD/Bullington	61	-	-	-	61	-	-	-	61
MMD/Blandford	732	-	714	328	346	-	-	-	346

DAVIESS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
Orchestra	1,020	925	1,931	480	494	-	-	-	494
MMD/D. Higdon	257	-	436	480	301	-	-	-	301
Health/PE	2,422	1,257	2,378	1,952	3,253	-	-	-	3,253
AFJROTC-School Budget	72	-	479	480	73	-	-	-	73
Science	13,625	-	10,721	7,191	10,095	-	-	-	10,095
MMD/Gilbreath	102	-	-	(102)	-	-	-	-	-
Special Services	651	-	812	557	396	-	-	-	396
MMD/Roberts	-	-	243	272	29	-	-	-	29
Social Studies	3,566	-	236	926	4,256	-	-	-	4,256
Gov't Class DC Trip	150	-	-	-	150	-	-	-	150
Tech-Ed	-	-	984	984	-	-	-	-	-
Library Copy Machine	444	94	562	1,246	1,222	-	-	-	1,222
Library Fines	623	320	449	-	494	-	-	-	494
Audio Visual	499	-	-	567	1,066	-	-	-	1,066
Poster Printer	1,202	30	-	94	1,326	-	-	-	1,326
Student Fees	37	135,910	58,154	(77,793)	-	-	-	-	-
Lost/Damaged Books	-	96	96	-	-	-	-	-	-
Book Rental	-	-	-	-	-	-	-	-	-
Elearning Repair Fines	146	8,736	8,882	-	-	-	-	-	-
Laptop Purchases	-	-	-	-	-	-	-	-	-
Latham Scholarship	6,255	-	2,500	27	3,782	-	-	-	3,782
Nunn Scholarship	-	300	300	-	-	-	-	-	-
Stewart Family Eagle Scholarship	177	1,000	1,000	1	178	-	-	-	178
Coke Scholarship	32,895	300	2,600	155	30,750	-	-	-	30,750
Pruden Scholarship	32,303	600	600	161	32,464	-	-	-	32,464
Satterly Scholarship	24,875	5,260	1,000	132	29,267	-	-	-	29,267
Soaring Eagle Scholarship	133	-	-	1	134	-	-	-	134
Stefanie M. Memorial Scholarship	1,294	-	-	6	1,300	-	-	-	1,300
Eagle High Trust	8,309	559	1,466	-	7,402	-	-	1,002	6,400
	<u>\$ 380,973</u>	<u>\$ 912,708</u>	<u>\$ 924,776</u>	<u>\$ -</u>	<u>\$ 368,905</u>	<u>\$ 603</u>	<u>\$ 16,920</u>	<u>\$ 7,542</u>	<u>\$ 378,886</u>

DAVISS COUNTY SCHOOL DISTRICT

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

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
General Fund	\$ 1,620	\$ 8,791	\$ 9,352	\$ 10,289	\$ 11,348	\$ -	\$ -	\$ -	\$ 11,348
Student ID's	336	1,791	2,007	6	126	-	-	-	126
Office Supplies	8,520	318	16,642	9,797	1,993	-	-	-	1,993
Nurse Office	-	-	517	517	-	-	-	-	-
Jacob Helwig Fund	-	-	-	-	-	-	-	-	-
Driver Ed Fee	-	4,475	1,900	(2,575)	-	-	-	-	-
Activity Fees	-	242,265	145,650	(96,615)	-	85	-	-	85
Laptop	726	1,446	3,162	1,490	500	-	-	-	500
Misc. Maintenance Supp.	-	-	232	1,500	1,268	-	-	-	1,268
Student Fees/\$24	5,699	90	4,242	9,539	11,086	-	-	-	11,086
Textbooks/State	-	155	537	382	-	-	-	-	-
Shelton-Walmart	799	-	48	-	751	-	-	-	751
Vending	-	1,700	2,912	1,212	-	12	-	-	12
Faculty Vending	1,549	2,750	2,197	-	2,102	180	-	-	2,282
Staffulty Fund	1,158	4,176	4,996	-	338	-	-	-	338
Picture Commission	6,281	6,260	-	(12,000)	541	-	-	-	541
Magazine	4,710	33,315	25,176	(6,118)	6,731	-	-	-	6,731
Nickel War	6,858	9,153	10,257	(357)	5,397	-	-	-	5,397
Athletics General	394	115,777	27,306	(88,865)	-	-	-	-	-
Game Officials	-	-	-	-	-	-	-	-	-
Athletic Training	97	-	3,475	3,378	-	-	-	-	-
Athletic Boosters	2,820	82,802	61,090	(22,533)	1,999	-	4,545	-	6,544
Baseball Signs	-	1,700	-	(1,700)	-	-	-	-	-
Baseball	19	12,047	14,710	3,753	1,109	-	-	766	343
Baseball Tournament	-	-	-	-	-	-	-	-	-
BK, Ball Regional Tournament	-	-	-	-	-	-	-	-	-
BKB Tournament-Girls	-	9,896	7,520	(2,152)	224	-	-	-	224
Basketball-Boys	1,712	12,871	21,042	8,344	1,885	-	-	-	1,885
Basketball-Girls	5,464	4,666	17,654	9,516	1,992	-	-	-	1,992
BKB Gym Signs	-	2,450	-	(2,450)	-	-	-	-	-
CC/TR Invitationals	5,915	10,682	14,243	(1,673)	681	-	-	-	681
Softball-Regionals	-	-	-	-	-	-	-	-	-
XC Boys	3,408	11,645	5,592	(2,811)	6,650	-	-	-	6,650
XC Girls	1,434	6,825	6,448	2,215	4,026	-	-	-	4,026
Track Girls	3,966	390	3,488	3,006	3,874	-	-	-	3,874
Bowling	-	1,110	252	(193)	665	-	-	-	665
Cheerleaders	12,113	56,902	59,458	(3,174)	6,383	-	-	-	6,383
Track-Boys	-	375	7,034	8,730	2,071	-	-	-	2,071
Field Maintenance	-	-	292	292	-	-	-	-	-
Football Boosters	2,071	4,335	5,846	-	560	-	-	-	560
Football	5,370	24,311	51,911	22,233	3	-	-	-	3

See Notes to Financial Statements

DAVIESS COUNTY SCHOOL DISTRICT

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

DAVIESS COUNTY HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
Golf Tournament	-	3,110	1,996	(1,114)	-	-	-	-	-
Golf Boys	1,064	122	3,335	2,771	622	-	-	-	622
Golf Girls	1,785	1,105	4,176	1,680	394	-	-	-	394
Intramural Sports	49	1,285	951	-	383	-	-	-	383
Pantherettes	4,016	63,349	62,922	811	5,254	-	-	-	5,254
Soccer Boys Sub Sectional	-	-	-	-	-	-	-	-	-
Soccer Tournament	-	742	720	(22)	-	-	-	-	-
Soccer Regional	-	-	-	-	-	-	-	-	-
Soccer Boys	1,559	3,812	9,672	4,786	485	-	-	-	485
Soccer Tourm Girls	-	4,656	1,930	(2,726)	-	-	-	-	-
Soccer Girls	-	35,571	39,654	4,608	525	-	-	-	525
Soccer District Tourm	-	4,127	2,606	(1,521)	-	-	-	-	-
Softball	5,929	5,522	11,705	7,042	6,788	-	-	-	6,788
Softball Tourney	-	4,063	1,295	(2,768)	-	-	-	-	-
Baseball Florida	-	-	-	-	-	-	-	-	-
Soccer Signs-Boys	3,062	4,200	4,710	(399)	2,153	-	-	-	2,153
State Tournament Exp.	-	4,433	15,116	10,683	-	1,635	-	-	1,635
Team Lauren/Cancer Aware	1,899	4,764	4,433	315	2,545	-	-	-	2,545
Swimming	760	8,365	9,447	2,110	1,788	-	-	-	1,788
Softball District Tournament	1,382	-	-	(1,382)	-	-	-	-	-
Tennis Boys	1,065	-	1,119	960	906	-	-	-	906
Tennis Girls	739	-	1,444	913	208	-	-	-	208
Volleyball	1,430	13,601	16,661	4,320	2,690	-	-	-	2,690
Volleyball Tournament	-	-	-	-	-	-	-	-	-
Swim-City/County Meet	-	2,051	1,993	(58)	-	-	-	-	-
Wrestling	-	4,683	11,835	7,212	60	-	-	-	60
Michael Cable Fund	3,683	-	624	-	3,059	-	-	-	3,059
Anime Club	73	-	-	-	73	-	-	-	73
Art Club	-	500	97	(250)	153	-	-	-	153
Beta Club	631	1,193	1,025	-	799	-	-	-	799
Christian Stu. Union	127	-	-	(127)	-	-	-	-	-
Chess Club	107	324	199	(3)	229	-	-	-	229
Robotics	1,660	725	653	-	1,732	-	-	-	1,732
Drama Club	1,824	4,353	2,948	-	3,229	-	-	150	3,079
Drama/Music Storage	1,049	360	1,710	600	299	-	-	-	299
FBLA	4,124	1,541	2,779	-	2,886	-	-	-	2,886
FCCLA	433	1,221	624	(10)	1,020	-	-	-	1,020
Fellow Christian Athletes	-	-	-	-	-	-	-	-	-
FFA	-	56,079	49,938	(2,148)	3,993	-	-	148	3,845
French Club	446	1,498	1,893	-	51	-	-	-	51
CEC	-	162	173	436	425	-	-	-	425
Future Educators	-	60	-	(29)	31	-	-	-	31

See Notes to Financial Statements

DAVIESS COUNTY SCHOOL DISTRICT

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

DAVIESS COUNTY HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
Habitat For Humanity	101	389	100	-	390	-	-	-	390
Key Club	217	2,294	2,041	(236)	234	-	-	-	234
Jr Classical League	195	1,872	1,842	(50)	175	-	-	-	175
Lifesavers Club	108	-	-	-	108	-	-	-	108
National Honor Society	790	3,672	3,567	-	895	-	-	-	895
One Club	10	-	-	-	10	-	-	-	10
Pep Club	1,124	1,140	1,296	75	1,043	-	-	-	1,043
Quill & Scroll Club	262	390	477	-	175	-	-	-	175
Quiz Bowl Recycle Club	222	150	333	245	284	-	-	-	284
Spanish Club	175	469	255	-	389	-	-	-	389
Spanish Nat Honor Society	816	912	983	-	745	-	-	-	745
Student Council	3,537	5,536	8,125	(9)	939	-	-	120	819
Young Democrats	33	150	-	(100)	83	-	-	-	83
STLP	192	-	-	-	192	-	-	-	192
Teenage Republicans	507	780	1,144	-	143	-	-	-	143
Co-Ed Y Club	122	16,568	16,421	-	269	-	-	-	269
Ag Mechanics	1,232	1,150	6,396	6,010	1,996	-	-	-	1,996
AG/IND Tech Academy	573	845	4,038	3,338	718	-	-	-	718
Business Ed Academy	2,115	-	195	904	2,824	-	-	-	2,824
Multimedia Publishing	728	1,040	241	-	1,527	-	-	-	1,527
Career Prep	134	-	-	-	134	-	-	-	134
Fine Arts/Mass Comm.	12,428	169	15,939	15,660	12,318	-	-	-	12,318
Guidance	6,292	47,633	48,998	(2)	4,925	-	-	-	4,925
Health Wellness Academy	299	11,610	15,238	3,856	527	-	-	-	527
Weights	-	-	-	-	-	-	-	-	-
Horticulture	561	9,789	8,449	2,958	4,859	-	-	-	4,859
Family & Consumer Sci	-	-	2,256	3,630	1,374	-	-	-	1,374
Liberal Arts Academy	3,323	1,273	5,804	3,564	2,356	-	-	-	2,356
Library	6,439	587	467	227	6,786	-	-	-	6,786
Science Academy	1,234	410	7,613	7,748	1,779	-	-	-	1,779
Math Academy	2,193	640	1,888	(325)	620	-	-	-	620
Gilbreath MD	-	1,142	716	(426)	-	-	-	-	-
JRROTC Unit Support Maint	769	-	126	-	643	-	-	-	643
JRROTC Boosters	13,689	27,433	28,341	(2,830)	9,951	41	-	-	9,992
Miller Mmrd	6	1,144	1,231	141	60	-	-	-	60
Special Ed	-	180	273	93	-	-	-	-	-
Academic Team	3	2,354	2,665	710	402	-	-	-	402
Band Uniforms	29,013	-	29,013	-	-	-	-	-	-
Band Boosters	6,710	123,726	146,839	23,615	7,212	337	-	6,000	1,549
Band Winterguard	2,503	9,366	125	(11,744)	-	-	-	-	-
Big Red Machine	2,261	4,007	4,707	(160)	1,401	-	-	-	1,401
Class Of 2014	24	636	49	50	661	-	-	-	661

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

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

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2014

	Cash June 30, 2013	Receipts	Disbursements	Transfers	Cash June 30, 2014	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2014
Class Of 2017	-	50	41	-	9	-	-	-	9
Class Of 2013	-	-	-	-	-	-	-	-	-
Class Of 2015	25	-	47	50	28	-	-	-	28
Drama/Speech	4,439	6,295	6,954	(329)	3,451	-	-	-	3,451
Class Of 2016	1	-	48	50	3	-	-	-	3
Drama Musical	-	15,512	13,950	402	1,964	-	-	-	1,964
Dance Studio	101	-	-	142	243	-	-	-	243
GRAD/Sr. Activities	278	375	8,019	9,243	1,877	-	-	-	1,877
DC Wishes	1,624	-	-	-	1,624	-	-	-	1,624
Chamber Choir	90	10,918	9,765	(59)	1,184	-	-	-	1,184
Orchestra	-	5,421	5,946	3,285	2,760	-	-	-	2,760
Target Donation	578	728	-	-	1,306	-	-	-	1,306
Prom	7,903	7,656	8,013	13	7,559	-	-	-	7,559
Renaissance Rewards	-	919	2,047	4,900	3,772	-	-	-	3,772
FCS Business	216	224	155	7	292	-	-	-	292
T-Shirts/Dc Printing	1,671	7,615	12,248	6,357	3,395	-	-	66	3,329
Perform Arts Trip	-	127,774	126,048	(1,726)	-	-	-	-	-
Yearbook-Echoes	11,894	31,816	33,765	50	9,995	-	-	-	9,995
Nick Brown Scholarship	759	-	500	-	259	-	-	-	259
Brad Smith Scholarship	1,235	-	600	-	635	-	-	-	635
Fulkerson Scholarship	500	-	500	500	500	-	-	-	500
Robin Sweeney Scholarship	5,273	-	-	-	5,273	-	-	-	5,273
Joyce Askins Mem. Scholar	-	5,000	-	-	5,000	-	-	-	5,000
Contingency Fund	45,010	-	-	8,500	53,510	-	-	-	53,510
Petty Cash	100	100	100	-	100	-	-	-	100
Athletic Cash Boxes	3,000	3,000	3,000	-	3,000	-	-	-	3,000
District Activity Funds	-	-	22,000	22,000	-	-	-	-	-
	<u>\$ 307,572</u>	<u>\$ 1,415,905</u>	<u>\$ 1,429,508</u>	<u>\$ -</u>	<u>\$ 293,969</u>	<u>\$ 2,290</u>	<u>\$ 4,545</u>	<u>\$ 7,250</u>	<u>\$ 293,554</u>

DAVISS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

Grantor / Program Title	CFDA Number	Pass-Through Entity Identifying Number	Fund Number	Project Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>					
Passed through Kentucky Department of Agriculture: Food Donation	10 555	057502-12	51	N/A	\$ <u>993,083</u>
Passed through Kentucky Department of Education Child Nutrition Cluster:					
School Breakfast Program	10 553	7760005-12	51	N/A	925,712
National School Lunch Program	10 555	7750002-12	51	N/A	2,614,591
Summer Food Service Program for Children	10 559	7740023-12	51	209A	176,896
					<u>3,717,199</u>
State Administered Expenses for Child Nutrition	10 560	7850012-12	51	N/A	<u>1,000</u>
Total U. S. Department of Agriculture					\$ <u>4,711,282</u>
<u>U. S. Department of Defense</u>					
Direct Program ROTC	12 000	5044	2	5044	\$ <u>123,982</u>
Total U. S. Department of Defense					\$ <u>123,982</u>
<u>U. S. Department of Education</u>					
Passed through Kentucky Department of Education Title I					
Title I - Local Educational Agencies	84 010A	3100002-14	2	3104	\$ 1,628,384
Title I - Parent Involvement	84 010A	3100002-14	2	3104M	12,659
Title I - Local Educational Agencies	84 010	3100002-13	2	3103	522,958
Title I - Parent Involvement	84 010	3100002-13	2	3103M	2,096
Title I - Local Educational Agencies	84 010	3100002-12	2	3102	1,590
Title I - Parent Involvement	84 010	3100002-12	2	3102M	730
Title I - School Improvement	84 010	3100002-13	2	3204	133,203
Title I - Part D, Subpart 2	84 010A	3100102	2	3144	105,695
					<u>2,407,315</u>
Migrant Education - State Grant Program	84 011	3110002-13	2	3113	110,966
Migrant Education - State Grant Program	84 011	3110002-14	2	3114	184,068
					<u>295,034</u>
Special Education Cluster					
Special Education - Grants to States:					
IDEA, Part B	84 027A	3810002-13	2	3373	1,255
IDEA, Part B	84 027A	3810002-14	2	3374	2,047,194
Special Education - Preschool Grants:					
IDEA Preschool	84 173A	3800002-14	2	3434	80,116
					<u>2,128,565</u>
Career and Technical Education - Basic Grants to States:					
Perkins - Part C	84 048	4620932-14	2	3484	108,317
Perkins - Part C	84 048	3483A	2	3483A	5,650
Perkins - Career Camps	84 048	3593A	2	3493A	2,639
Perkins - Part C	84 048	371006-13	2	1404	129
					<u>116,735</u>

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2014

<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 Education, Continued</u>					
Passed through Kentucky Department of Education, Continued					
English Language Acquisition Grants: Title III Limited English Proficiency	84.365A	3300002-14	2	3454	35,011
					<u>35,011</u>
Improving Teacher Quality State Grants: Title II	84.367A	3230002-14	2	4014	365,803
Title II	84.367	3230002-13	2	4013	28,451
Title II	84.367	3230002-12	2	4012	2,590
					<u>396,844</u>
Race to the Top - District Grants	84.416A	4364	2	4364	212,198
Passed through Green River Regional Educational Co-op: Race to the Top - District Grants	84.416A	4521	2	4521	30,339
					<u>242,537</u>
Passed through Kentucky Workforce Development Cabinet: Adult Education State Grant Program	84.002	3713	2	3713	3,488
Passed through Kentucky Department of Juvenile Justice: Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	3134	2	3134	26,960
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	4100102-12	2	3134T	4,720
					<u>31,680</u>
Total U. S. Department of Education					\$ <u>5,657,209</u>
Total Federal Awards					\$ <u>10,492,473</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Daviess County School District under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the District.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C: Food Donation

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



**INDEPENDENT AUDITOR'S 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
Daviess County School District
Owensboro, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviess County School District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 14-01 that we consider to be a significant deficiency.

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 material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

We noted certain matters other than significant deficiencies and material weaknesses that we reported to management of the District in a separate letter dated October 3, 2014.

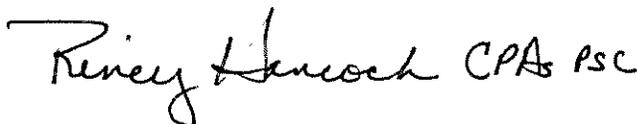
Daviess County School District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Owensboro, Kentucky
October 3, 2014



Renee Hancock CPA PSC



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Daviness 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, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Owensboro, Kentucky
October 3, 2014



DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Daviess County School District (District).
2. A significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unmodified 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 were:
 - 84.010 Title I
 - 84.011 Migrant Education – State Grant Program
8. The threshold used for distinguishing between Type A and B programs was \$314,774.
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, 2014

B. Findings - Financial Statements Audit

Significant Deficiency:

Finding 14-01

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. 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. This lack of segregation of duties increases the opportunity for misappropriation of District assets, and weakens the District's ability to detect possible misappropriations.

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, 2014

There were no audit findings relative to federal awards reported in the schedule of findings and questioned costs for the year ended June 30, 2013.



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, 2014, 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 deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. A separate report dated October 3, 2014, contains our report on a significant deficiency in the District's internal control. This letter does not affect our report dated October 3, 2014, on the financial statements of the District.

FY 2014 Comments

Activity Funds:

Findings noted and frequency of occurrence are as follows:

Bank reconcilements:

Reconcilements were not always initialed by the preparer and the principal (1);

Deposits:

Deposit slips were not always initialed by second person (1);

Deposits were not timely made (1);

Physical receipt number did not match the number recorded in the software (1).

Disbursements / Payables:

No supporting documentation for a disbursement was available (1);

A purchase of athletic supplies did not adhere to the bid (1).

Transfers:

Transfer form lacked the principal's signature (2).

Athletic ticket sales:

Unable to reconcile to the ticket number on a prior ticket report (1).

Inventory:

Inventory was not recorded at correct pricing (1);

Clerical errors were noted on the inventory report (1).

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

We recommend that Activity Fund bookkeepers be reminded of the importance of adhering to the “Red Book” and performing generally accepted practices which enhance internal control for the District.

Management Response:

Management conducted a Redbook training with all school bookkeepers and school administrators in July 2013. Management will communicate the Redbook audit findings with all school bookkeepers and administrators and instruct staff regarding preventative measures schools must make to alleviate reoccurrence of Redbook findings.

Status of FY 2013 Comments

Summer Feeding Program:

For the month of July 2012, meal counts were misclassified in breakfast, lunch, and snack reimbursement categories, resulting in an over-reimbursement in the amount of \$133, due to differing reimbursement rates for each category. A check was written to the state for the amount of the error prior to June 30, 2013, resulting in the correct reporting of federal expenditures for this program for FY 2013. We recommend that someone other than the preparer review meal claims prior to submission.

Status: A second review of meal counts was performed during FY 2014 to verify the accuracy of meal counts.

Activity Funds:

Findings noted and frequency of occurrence are as follows:

Deposits:

Deposit slips not always initialed by second person (1).

Disbursements / Payables:

Payable not identified prior to detection by auditor (1);

No supporting documentation for a disbursement was available (1); and

A purchase of athletic supplies did not adhere to the bid (1).

Transfers:

Transfer form lacked the principal’s signature (1).

Status: See FY 2014 Comments above for findings resulting from current year audit procedures related to the Activity Funds.

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 3, 2014

