

DANVILLE INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2015

DANVILLE INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Danville Independent School District
Danville, 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 Danville Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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 District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 44 to 45, schedule of proportionate share of the net pension liability on page 46 and schedule of contributions on page 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 Danville Independent School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2015, on our consideration of Danville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Danville Independent School District's internal control over financial reporting and compliance.



Certified Public Accountants
Elizabethtown, Kentucky
October 16, 2015

REQUIRED SUPPLEMENTARY INFORMATION

**DANVILLE INDEPENDENT BOARD OF EDUCATION
DANVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Danville Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning fund balance including activity funds for the District was \$6,845,253. The ending fund balance including activity funds for the District was \$6,628,632.

The General Fund had \$17,972,288 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$16,650,499 in General Fund expenditures. This includes on-behalf payments.

The Board of Education approved a 4% revenue increase in property tax rates for 2015. The rate levied was in accordance with KRS 160.470 (HB44).

At the close of June 2015 the District had funds committed on the balance sheet as follows: Sick Leave Escrow- \$200,000.00, Future Construction Escrow for purpose of roof replacement at a school to be determines - \$570,000.00, SBDM Section 6 carryover- \$67,401.47, funds for 2 busses that were not received as of the close of the year - \$224,226.00, remaining funds for KSBIT assessment payment - \$59,986, District of Innovation staffing FY2016 \$330,000.00, District of Innovation staffing FY 2017 - \$150,000 and maintenance in progress - \$56,000.

The Board approved a 1% increase for certified and classified staff for the 2015 school year as mandated by General Assembly.

The Board budgeted funds to purchase two school busses to help get back on track with the replacement cycle. The purchase was planned with cash from General Fund and has been committed on the Balance Sheet. September 2015 is the anticipated date of delivery for the two busses. The fleet is aging and replacement will need to occur on a strict cycle to avoid increasing repair bills. The Board plans to purchase one bus in FY 2016 and two busses in FY2017. This schedule will allow the entire bus fleet for regular routes to be within 10 years of age.

The district began the following projects using cash funds from capital outlay and building funds: Hogsett Elementary partial roof replacement - \$100,250.00, Track resurfacing project - \$145,000.00, and Tennis Court resurfacing project - \$220,500.00.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-19 of this report.

Notes to the financial statements.

The notes provide additional information that are essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-42 of this report.

DISTRICT-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 and deferred outflows exceeded liabilities and deferred inflows by \$5.4 million as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets 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.

(Table 1)
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 7,278,166	\$ 7,589,691	\$ 216,541	\$ 161,170	\$ 7,494,707	\$ 7,750,861
Capital Assets	11,206,983	10,921,386	66,628	84,168	11,273,611	11,005,554
Total Assets	18,485,149	18,511,077	283,169	245,338	18,768,318	18,756,415
Deferred Outflows	636,463	97,852	73,576		710,039	97,852
Long-term Debt	11,065,918	8,418,966	613,779	-	11,679,697	8,418,966
Other Liabilities	1,909,029	1,968,355	90	1,483	1,909,119	1,969,838
Total Liabilities	12,974,947	10,387,321	613,869	1,483	13,588,816	10,388,804
Deferred Inflows	386,552	97,852	68,448		455,000	97,852
Net Position						
Net investment in capital assets	3,738,828	2,549,204	66,628	84,168	3,805,456	2,633,372
Restricted	1,820,292	1,943,864			1,820,292	1,943,864
Unrestricted	200,993	3,728,540	(392,200)	159,687	(191,207)	3,888,227
Total Net Position	\$ 5,760,113	\$ 8,221,608	\$ (325,572)	\$ 243,855	\$ 5,434,541	\$ 8,465,463

The largest factor in the decline in net position was due to the adoption of GASB Statement 68 which required a restatement to beginning net position of \$4.2 million

Budgetary Implications

In Kentucky the public school fiscal year is July 1 -June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with 8.5% in contingency.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. This allows a more accurate reading of budget vs actuals. On-behalf amounts are expenditures made by the Kentucky Department of Education or the Commonwealth of Kentucky on behalf of our District. To present a total picture of the cost for the district these amounts are included in our financial statements. These amount include Kentucky Teacher Retirement contributions, health insurance, SFCC debt service payments, technology related items that include McAfee virus and MUNIS cost. The amounts are budgeted as revenues to the district and as expenditures.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 400	\$ 3,520	\$ 188,340	\$ 187,590	\$ 188,740	\$ 191,110
Operating grants and contributions	8,271,632	6,545,765	1,127,778	1,083,235	9,399,410	7,629,000
Capital grants and contributions	681,764	627,987	-	-	681,764	627,987
General revenues:						
Property taxes	6,989,714	6,669,320	-	-	6,989,714	6,669,320
Motor vehicle taxes	430,508	432,157	-	-	430,508	432,157
Utility taxes	1,086,133	1,102,583	-	-	1,086,133	1,102,583
Revenue in lieu of taxes	11,741	23,017	-	-	11,741	23,017
Investment earnings	44,689	37,761	542	283	45,231	38,044
State and formula grants	6,293,295	6,287,572	-	-	6,293,295	6,287,572
Miscellaneous	20,144	47,549	-	-	20,144	47,549
Total revenues	<u>23,830,020</u>	<u>21,777,231</u>	<u>1,316,660</u>	<u>1,271,108</u>	<u>25,146,680</u>	<u>23,048,339</u>
EXPENSES						
Program Activities						
Instruction	14,607,982	12,933,846	-	-	14,607,982	12,933,846
Student support	924,394	797,615	-	-	924,394	797,615
Instructional staff support	1,648,118	1,832,776	-	-	1,648,118	1,832,776
District administrative support	398,322	870,835	-	-	398,322	870,835
School administrative support	1,344,067	1,194,855	-	-	1,344,067	1,194,855
Business support	524,305	376,927	-	-	524,305	376,927
Plant operation and maintenance	2,162,460	2,309,898	-	-	2,162,460	2,309,898
Student transportation	699,228	745,686	-	-	699,228	745,686
Community service activities	220,705	227,162	-	-	220,705	227,162
Other	-	28,360	-	-	-	28,360
Interest costs	269,760	314,678	-	-	269,760	314,678
Business-type Activities:						
Food service			1,253,052	1,233,701	1,253,052	1,233,701
Total expenses	<u>22,799,341</u>	<u>21,632,638</u>	<u>1,253,052</u>	<u>1,233,701</u>	<u>24,052,393</u>	<u>22,866,339</u>
Excess before extraordinary item	1,030,679	144,593	63,608	37,407	1,094,287	182,000
Extraordinary item - KSBIT	82,793	52,808				
Increase (decrease) in net position	<u>\$ 1,113,472</u>	<u>\$ 197,401</u>	<u>\$ 63,608</u>	<u>\$ 37,407</u>	<u>\$ 1,094,287</u>	<u>\$ 182,000</u>

The government's overall financial position and results of operations improved as a result of the year's operations as reflected in the increase in net position for the year.

	Governmental Activities Total		Net Cost of Services	
	Cost of Services			
	2014	2013	2014	2013
Instruction	\$ 12,933,846	\$ 13,342,723	\$ 8,316,522	\$ 9,430,363
Support Services	8,128,592	7,006,432	6,452,153	5,205,230
Community Services	227,162	202,048	-	-
Facilities acquisition and construction	-	-	(331,388)	(319,555)
Other	28,360	26,329	-	-
Interest costs	314,678	305,495	18,079	8,015
Total expenses	\$ 21,632,638	\$ 20,883,027	\$ 14,455,366	\$ 14,324,053

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and land improvements	\$ 502,656	\$ 520,377	\$ -	\$ -	\$ 502,656	\$ 520,377
Buildings and improvements	9,535,317	9,374,491	-	-	9,535,317	9,374,491
Technology	146,803	377,828	2,360	3,943	149,163	381,771
Vehicles	439,796	402,503	-	-	439,796	402,503
General equipment	129,668	136,997	64,268	80,224	193,936	217,221
Total	10,754,240	10,812,196	66,628	84,167	10,820,868	10,896,363
Construction in progress	452,743	109,190	-	-	452,743	109,190
Total	<u>\$ 11,206,983</u>	<u>\$ 10,921,386</u>	<u>\$ 66,628</u>	<u>\$ 84,167</u>	<u>\$ 11,273,611</u>	<u>\$ 11,005,553</u>

(Table 5)
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Beginning balance	\$ 10,921,386	\$ 11,859,044	\$ 84,167	\$ 102,075	\$ 11,005,553	\$ 11,961,119
Additions	2,275,886	468,414	-	-	2,275,886	468,414
Retirements	(902,085)	(248,504)	-	(230)	(902,085)	(248,734)
Depreciation	(1,088,204)	(1,157,568)	(17,539)	(17,678)	(1,105,743)	(1,175,246)
Ending balance	<u>\$ 11,206,983</u>	<u>\$ 10,921,386</u>	<u>\$ 66,628</u>	<u>\$ 84,167</u>	<u>\$ 11,273,611</u>	<u>\$ 11,005,553</u>

CURRENT ISSUES

The Board of Education has approved the Toliver 30,000 SF addition and renovation project. Ross, Tarrant Architects have been hired for the project. The project has been approved to proceed by Kentucky Department of Education. The architect is currently in the drawing phase of the building and the project will be released for bids to be opened in December 2015. The goal is to issue bonds for the project in January 2016. The current approved financing amount for the project is \$14M

General Assembly increased the SEEK base and mandated a 2% salary increase for the 2015-16 school year. The Board used continuing funds to partially support a total of 3% salary increase. The Board of Education chose to levy compensating tax rate with the additional recallable building fund nickel. The Board is committed to approving a 4% revenue increase for the 16-17 school year to fund the continuing cost of the raise to the salary schedule.

State grant funds overall had an increase in funding over the prior year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with an overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information should be directed to Superintendent Keith Look, or to the Finance Officer, Joy Campbell, or by mail at 152 E. Martin Luther King Blvd., Danville, Kentucky 40422.

BASIC FINANCIAL STATEMENTS

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 7,039,123	\$ 149,823	\$ 7,188,946
Inventory		33,289	33,289
Receivables:			
Taxes-current	124,071		124,071
Taxes-delinquent	322		322
Other receivables	33,660		33,660
Intergovernmental-State	20,691		20,691
Intergovernmental-Indirect Federal	60,299	33,429	93,728
Total Current Assets	7,278,166	216,541	7,494,707
Noncurrent Assets			
Non-depreciable capital assets	819,521		819,521
Depreciable capital assets, net of accumulated depreciation	10,387,462	66,628	10,454,090
Total Noncurrent Assets	11,206,983	66,628	11,273,611
Total Assets	18,485,149	283,169	18,768,318
Deferred Outflows of Resources			
Deferred amount on debt refundings	220,954		220,954
CERS pension contributions	415,509	73,576	489,085
Total Deferred Outflows of Resources	636,463	73,576	710,039
Liabilities			
Current Liabilities			
Accounts payable	106,425		106,425
Accrued payroll and related expenses	23,481	90	23,571
Unearned revenue	462,450		462,450
Bond obligations	855,000		855,000
Capital leases	54,902		54,902
KSBIT	28,589		28,589
Compensated absences	314,161		314,161
Interest payable	64,021		64,021
Total Current Liabilities	1,909,029	90	1,909,119
Noncurrent Liabilities			
Bond obligations	6,551,280		6,551,280
Capital leases	227,927		227,927
KSBIT	28,589		28,589
Net pension liability - CERS	3,466,221	613,779	4,080,000
Compensated absences	791,901		791,901
Total Noncurrent Liabilities	11,065,918	613,779	11,679,697
Total Liabilities	12,974,947	613,869	13,588,816
Deferred Inflows of Resources			
CERS net investment difference	386,552	68,448	455,000
Total Deferred Inflows of Resources	386,552	68,448	455,000
Net Position			
Net investment in capital assets	3,738,828	66,628	3,805,456
Restricted	1,820,292		1,820,292
Unrestricted	200,993	(392,200)	(191,207)
Total Net Position	\$ 5,760,113	\$ (325,572)	\$ 5,434,541

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 14,607,982	\$ 400	\$ 6,323,482	\$ -	\$ (8,284,100)	\$ -	\$ (8,284,100)
Support services:							
Student	924,394		404,611		(519,783)		(519,783)
Instruction staff	1,648,118		372,233		(1,275,885)		(1,275,885)
District administrative	398,322		119,678		(278,644)		(278,644)
School administrative	1,344,067		443,250		(900,817)		(900,817)
Business	524,305		135,638		(388,667)		(388,667)
Plant operation and maintenance	2,162,460		150,045		(2,012,415)		(2,012,415)
Student transportation	699,228		95,929		(603,299)		(603,299)
Community service activities	220,705		226,766		6,061		6,061
Facility acquisition and construction				339,888	339,888		339,888
Interest on long-term debt	269,760			341,876	72,116		72,116
Total Governmental Activities	22,799,341	400	8,271,632	681,764	(13,845,545)	-	(13,845,545)
Business-Type Activities:							
Food service	1,253,052	188,340	1,127,778			63,066	63,066
Total Business-Type Activities	1,253,052	188,340	1,127,778	-	-	63,066	63,066
Total Primary Government	\$ 24,052,393	\$ 188,740	\$ 9,399,410	\$ 681,764	(13,845,545)	63,066	(13,782,479)
General Revenues:							
Taxes:							
					6,989,714		6,989,714
					430,508		430,508
					1,086,133		1,086,133
					11,741		11,741
					44,689	542	45,231
					6,293,295		6,293,295
					20,144		20,144
					82,793		82,793
					14,959,017	542	14,959,559
					1,113,472	63,608	1,177,080
					8,221,606	243,855	8,465,461
					(3,574,965)	(633,035)	(4,208,000)
					4,646,641	(389,180)	4,257,461
					\$ 5,760,113	\$ (325,572)	\$ 5,434,541

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

DANVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,825,074	\$ 440,841	\$ 1,599,981	\$ 173,227	\$ 7,039,123
Receivables:					
Taxes - current	124,071				124,071
Taxes - delinquent	322				322
Other receivables	4,419	29,241			33,660
Intergovernmental - State		20,691			20,691
Intergovernmental - Indirect Federal		60,299			60,299
Total Assets	<u>\$ 4,953,886</u>	<u>\$ 551,072</u>	<u>\$ 1,599,981</u>	<u>\$ 173,227</u>	<u>\$ 7,278,166</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 35,909	\$ -	\$ 70,516	\$ -	\$ 106,425
Accrued payroll and related expenses	23,481				23,481
KSBIT	57,178				57,178
Unearned revenue		462,450			462,450
Total Liabilities	116,568	462,450	70,516	-	649,534
Fund Balances					
Restricted	200,000	88,622	1,529,465	2,205	1,820,292
Committed	921,613			171,022	1,092,635
Assigned	536,000				536,000
Unassigned	3,179,705				3,179,705
Total Fund Balances	<u>4,837,318</u>	<u>88,622</u>	<u>1,529,465</u>	<u>173,227</u>	<u>6,628,632</u>
Total Liabilities and Fund Balances	<u>\$ 4,953,886</u>	<u>\$ 551,072</u>	<u>\$ 1,599,981</u>	<u>\$ 173,227</u>	<u>\$ 7,278,166</u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

June 30, 2015

Total fund balance per fund financial statements	\$ 6,628,632
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	11,206,983
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	415,509
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	220,954
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(386,552)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(7,406,280)
Capital leases payable	(282,829)
Interest payable	(64,021)
Compensated absences	(1,106,062)
Net pension liability - CERS	<u>(3,466,221)</u>
Net position for governmental activities	<u>\$ 5,760,113</u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 6,551,836	\$ -	\$ -	\$ 437,878	\$ 6,989,714
Motor vehicle	430,508				430,508
Utilities	1,086,133				1,086,133
Earnings on investments	39,229	277	3,310	1,873	44,689
Other local revenues	20,544	578,286		141,600	740,430
Revenue in lieu of taxes	11,741				11,741
Intergovernmental - State	9,832,297	907,896		681,764	11,421,957
Intergovernmental - Indirect Federal		1,215,156			1,215,156
Intergovernmental - Direct Federal		317,685			317,685
Total Revenues	17,972,288	3,019,300	3,310	1,263,115	22,258,013
Expenditures:					
Instruction	9,565,365	2,501,100		126,670	12,193,135
Support services:					
Student	771,386	151,495			922,881
Instruction staff	1,337,374	302,055		1,918	1,641,347
District administrative	404,694			21,048	425,742
School administrative	1,357,591				1,357,591
Business	528,711				528,711
Plant operation and maintenance	1,997,606	10,289			2,007,895
Student transportation	687,772	41,530		20,002	749,304
Community service activities		226,766			226,766
Facilities acquisition and construction			1,207,306		1,207,306
Bond issuance costs				40,565	40,565
Debt service:					
Principal				887,225	887,225
Interest				249,425	249,425
Total Expenditures	16,650,499	3,233,235	1,207,306	1,346,853	22,437,893
Excess (Deficit) of Revenues over Expenditures	1,321,789	(213,935)	(1,203,996)	(83,738)	(179,880)
Other Financing Sources (Uses):					
Proceeds from sale of capital assets		134			134
Bond proceeds from refunding bonds				2,805,000	2,805,000
Bond premium				3,949	3,949
Payments to refunded escrow agent				(2,763,031)	(2,763,031)
Transfers in	6,272	278,273	1,547,741	870,982	2,703,268
Transfers out	(1,509,339)	(15,550)		(1,178,379)	(2,703,268)
Total Other Financing Sources (Uses)	(1,503,067)	262,857	1,547,741	(261,479)	46,052
Extraordinary item - KSBIT	(82,793)				(82,793)
Net Change in Fund Balances	(264,071)	48,922	343,745	(345,217)	(216,621)
Fund Balance, July 1, 2014	5,101,389	39,700	1,185,720	518,444	6,845,253
Fund Balance, June 30, 2015	\$ 4,837,318	\$ 88,622	\$ 1,529,465	\$ 173,227	\$ 6,628,632

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT 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, 2015

Net change in total fund balances per fund financial statements	\$ (216,621)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	287,084
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(45,918)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	830,000
Capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	57,225
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	137,702
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(1,488)
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	82,793
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(17,305)</u>
Change in net position of governmental activities	<u><u>\$ 1,113,472</u></u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	<u>Food Service Fund</u>
Assets	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 149,823
Intergovernmental - Indirect Federal	33,429
Inventory	<u>33,289</u>
Total Current Assets	216,541
<u>Noncurrent Assets</u>	
Depreciable capital assets, net of accumulated depreciation	<u>66,628</u>
Total Noncurrent Assets	<u>66,628</u>
Total Assets	<u>283,169</u>
Deferred Outflows of Resources	
CERS pension contributions	<u>73,576</u>
Total Deferred Outflows of Resources	<u>73,576</u>
Liabilities	
<u>Current Liabilities</u>	
Accrued payroll and related expenses	<u>90</u>
Total Current Liabilities	<u>90</u>
<u>Noncurrent Liabilities</u>	
Net pension liability - CERS	<u>613,779</u>
Total Noncurrent Liabilities	<u>613,779</u>
Total Liabilities	<u>613,869</u>
Deferred Inflows of Resources	
CERS net investment difference	<u>68,448</u>
Total Deferred Inflows of Resources	<u>68,448</u>
<u>Net Position</u>	
Net investment in capital assets	66,628
Unrestricted	<u>(392,200)</u>
Total Net Position	<u>\$ (325,572)</u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 177,100
Other operating revenues	11,240
	<hr/>
Total Operating Revenues	188,340
Operating Expenses:	
Salaries and wages	585,370
Materials and supplies	631,302
Depreciation	17,539
Other operating expenses	18,841
	<hr/>
Total Operating Expenses	1,253,052
Operating loss	(1,064,712)
Non-Operating Revenues (Expenses):	
Federal grants	981,648
Donated commodities	55,529
State on-behalf payments	79,310
State grants	11,291
Interest income	542
	<hr/>
Total Non-Operating Revenues (Expenses)	1,128,320
Changes in net position	63,608
	<hr/>
Net Position, July 1, 2014, as previously reported	243,855
Restatement for adoption of GASB 68	(633,035)
	<hr/>
Net Position, July 1, 2014, as restated	(389,180)
	<hr/>
Net Position June 30, 2015	<u>\$ (325,572)</u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 177,100
Other receipts	11,240
Cash paid to/for:	
Employees	531,836
Supplies	575,895
Other activities	18,841
	<hr/>
Net Cash Used by Operating Activities	(938,232)
Cash flows from Non-Capital Financing Activities	
Federal grants	962,329
State grants	11,291
	<hr/>
Net Cash Provided by Non-Capital Financing Activities	973,620
Receipt of interest income	542
	<hr/>
Net Cash Provided by Investing Financing Activities	542
Net increase in cash and cash equivalents	35,930
Balances, beginning of year	<hr/> 113,893
Balances, end of year	<u>\$ 149,823</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,064,712)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	17,539
State on-behalf payments	79,310
Donated commodities	55,529
GASB 68 pension expense	(24,383)
Change in assets and liabilities:	
Inventory	(122)
Accrued payroll and related expenses	(1,393)
	<hr/>
Net cash used by operating activities	<u>\$ (938,232)</u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	<u>\$ 55,529</u>
State on-behalf payments	<u>\$ 79,310</u>
CERS Pensions	<u>\$ 49,193</u>

The notes to the financial statements are an integral part of this statement.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 70,313
Receivables	
	<hr/>
Total Assets	<u><u>\$ 70,313</u></u>
Liabilities	
Accounts payable	\$ 663
Due to student groups	69,650
	<hr/>
Total Liabilities	<u><u>\$ 70,313</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Danville Independent School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

Danville Independent Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Danville Independent School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Danville Independent School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Danville Independent School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Danville Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

- (A) The General Fund is the main operating fund of the District. 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) 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 are 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.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) 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).
 - 1. 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.
 - 2. The Facility Support Program of Kentucky (FSPK) 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.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one Proprietary Fund.

The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: 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 susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. Inventory. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds (Consumption method).

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position 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 position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. 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 assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities and the food service fund.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. 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 usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.867 per \$100 valuation for real property, \$.867 per \$100 valuation for business personal property and \$.669 per \$100 valuation for motor vehicles.

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

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$7,570,089 of the District's bank balance of \$7,822,293 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Grants	\$ 268,995
General	Construction	Construction	881,988
General	Nonmajor Governmental	Debt Service	278,353
General	Nonmajor Governmental	School Funds	80,003
Special Revenue	Special Revenue	Internal	9,278
Special Revenue	General	Indirect Costs	6,272
Nonmajor Governmental	Construction	Construction	665,753
Nonmajor Governmental	Nonmajor Governmental	Debt Service	512,626

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 366,778	\$ -	\$ -	\$ 366,778
Construction in progress	109,190	1,244,151	(900,598)	452,743
Total Capital Assets Not Being Depreciated	475,968	1,244,151	(900,598)	819,521
Capital Assets Being Depreciated:				
Land improvements	429,145			429,145
Buildings and improvements	23,714,875	900,598		24,615,473
Technology equipment	1,984,173		(141,146)	1,843,027
Vehicles	1,433,925	108,957		1,542,882
General equipment	1,554,199	22,180		1,576,379
Total Capital Assets Being Depreciated at Historical Cost	29,116,317	1,031,735	(141,146)	30,006,906
Less Accumulated Depreciation For:				
Land improvements	275,546	17,721		293,267
Buildings and improvements	14,340,384	739,772		15,080,156
Technology equipment	1,606,345	229,538	(139,659)	1,696,224
Vehicles	1,031,422	71,664		1,103,086
General equipment	1,417,202	29,509		1,446,711
Total accumulated depreciation	18,670,899	1,088,204	(139,659)	19,619,444
Total Other Capital Assets, net	10,445,418	(56,469)	(1,487)	10,387,462
Governmental Activities Capital Assets - Net	\$ 10,921,386	\$ 1,187,682	\$ (902,085)	\$ 11,206,983
Business-Type Activities				
Capital Assets Being Depreciated:				
Technology equipment	\$ 10,527	\$ -	\$ -	\$ 10,527
Food service equipment	380,381			380,381
Totals at historical cost	390,908	-	-	390,908
Less Accumulated Depreciation For:				
Technology equipment	\$ 6,584	\$ 1,583	\$ -	\$ 8,167
Food service equipment	300,157	15,956		316,113
Total accumulated depreciation	306,741	17,539	-	324,280
Business-Type Activities Capital Assets - Net	\$ 84,167	\$ (17,539)	\$ -	\$ 66,628
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 805,566			
Student support	1,365			
Plant	206,499			
Transportation	74,774			
	<u>\$ 1,088,204</u>			

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 6 – 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. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

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.

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 8,098,990	\$ 2,805,000	\$ 3,440,000	\$ 7,463,990	\$ 855,000
Capital leases	340,054		57,225	282,829	54,902
Less Premium (Discount)	(66,862)	3,949	5,203	(57,710)	-
Total Bonds and Leases Payable	8,372,182	2,808,949	3,502,428	7,689,109	909,902
Other Liabilities:					
Compensated absences	1,109,093	40,499	43,530	1,106,062	314,161
Net pension liability - CERS		3,466,221		3,466,221	
Claims	82,793		25,615	57,178	28,589
Total Other Liabilities	1,191,886	3,506,720	69,145	4,629,461	342,750
Total Governmental Activities Long-Term Liabilities	\$ 9,564,068	\$ 6,315,669	\$ 3,571,573	\$ 12,318,570	\$ 1,252,652
	Balance			Balance	Amounts
	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within
					One Year
Business Type Activities:					
Net pension liability - CERS	\$ -	\$ 613,779	\$ -	\$ 613,779	\$ -

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and claims. The general fund and food service fund are primarily responsible for paying the net pension liability.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Original Proceeds	Rates
2014R2	\$ 700,000	1.00% - 3.00%
2014R	2,105,000	1.00% - 3.00%
2014	1,325,000	1.50% - 2.00%
KISTA ED	108,990	1.50% - 4.00%
2010R	1,130,000	1.00% - 2.00%
2009R	1,225,000	2.20% - 3.00%
2006R	2,611,000	3.83%
2003R	515,000	3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Danville Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

On December 4, 2014 the District issued \$2,105,000 in Refunding Revenue Bonds with an average interest rate of 2.55 percent to partially advance refund \$1,960,000 of outstanding 2006 Series energy bonds. The refunding was a partial advance refunding. The net proceeds of \$2,074,044 (after \$34,815 in cost of issuance, \$6,063 in bond premium and \$2,204 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$114,045. This difference, reported in the accompanying government-wide financial statements as deferred outflows of resources, is being charged to operations through the year 2026 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$111,665 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$99,893.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

On December 4, 2014 the District issued \$700,000 in Refunding Revenue Bonds with an average interest rate of 2.55 percent to advance refund \$650,000 of outstanding 2006 Series revenue bonds. The refunding was an advance refunding. The net proceeds of \$688,987 (after \$5,750 in cost of issuance, \$2,114 in bond discount and \$3,149 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$38,987. This difference, reported in the accompanying government-wide financial statements as deferred outflows of resources, is being charged to operations through the year 2026 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$33,601 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$29,931.

Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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, including amounts to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2016	\$ 855,000	\$ 210,617	\$ 344,305	\$ 721,312
2017	885,000	184,419	345,350	724,069
2018	915,000	156,533	348,795	722,738
2019	915,000	129,797	315,388	729,409
2020	815,000	105,812	182,968	737,844
2021-2025	1,985,000	361,308	921,647	1,424,661
2026-2030	740,000	122,590	575,121	287,469
2031-2034	353,990	34,200	386,245	1,945
	<u>\$ 7,463,990</u>	<u>\$ 1,305,276</u>	<u>\$ 3,419,819</u>	<u>\$ 5,349,447</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

Capital Leases

	<u>Gross Value</u>
Classes of Property: Buses and Equipment	\$ 808,007
2016	\$ 63,196
2017	62,755
2018	51,742
2019	51,181
2020	31,673
2021-2023	<u>50,379</u>
Total minimum lease payments	310,926
Less: Amount representing interest	<u>(28,097)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 282,829</u>

These assets are being depreciated with capital assets.

NOTE 8 – PENSION PLANS

Plan Descriptions

The Danville Independent School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS - CONTINUED

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$65,050,191.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,187,592 and revenue of \$3,187,592 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$489,085

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$4,080,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.125763 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$327,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$489,085 and (2) Deferred inflows of resources for differences between expected and actual experience of \$455,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$489,085 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	5,370,000	4,080,000	2,940,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there were no nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$200,000 restricted for compensated absences in the General Fund, \$88,622 restricted for grants in the Special Revenue Fund, \$1,529,465 restricted for capital projects in the Construction Fund and \$2,205 restricted for debt in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following General Fund commitments at June 30, 2015: \$570,000 for construction, \$67,401 for site based carryforward, \$224,226 for buses and \$59,986 for KSBIT and \$171,022 in the District Activity Fund.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There were no amounts assigned related to encumbrances at June 30, 2015. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had assigned in the General Fund \$480,000 for innovation and \$56,000 for maintenance.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's 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.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss

The District also has construction commitments for on-going projects at June 30, 2015.

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$135,601. In August 2014, the District received an invoice for \$82,793 which was the amount expected to satisfy the claim. The District paid \$25,615 in August 2014 will pay \$28,589 in FY 2015 and FY 16, The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence The assessment was recorded as an extraordinary item in the general fund for FY 2015 and the remaining liability of \$57,178 was recorded in the general fund. The amount recorded as a current liability in the Statement of Net Position is \$28,589 and the long-term portion is \$28,589. There was an adjustment in the Statement of Activities to reflect the change in the total assessment of \$82,793 that was previously expensed.

NOTE 11 – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position at June 30, 2015 in the amount of \$325,572. The deficit net position is a result of the recording of the net pension liability for CERS as part of the adoption of GASB Statement 68. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 264,071
SEEK Capital Outlay Fund	279,599
FSPK Fund	898,780

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	\$ 2,019,840
Life	3,782
Admin	25,974
HRA	131,942
KTRS	1,532,926
Technology	57,101
Debt Service	341,876
Less: Federal Reimbursement	<u>(153,253)</u>
Total on-behalf	<u>\$ 3,960,188</u>

Recorded as follows:

General Fund	\$ 3,539,002
Food Service Fund	79,310
Debt Service Fund	<u>341,876</u>
	<u>\$ 3,960,188</u>

REQUIRED SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 6,155,000	\$ 6,410,000	\$ 6,551,836
Motor vehicle	350,000	410,000	430,508
Utilities	1,050,000	1,050,000	1,086,133
Revenue in lieu of taxes	16,000	16,000	11,741
Earnings on investments	25,000	30,000	39,229
Other local revenues	20,000	10,000	20,544
Intergovernmental - State	9,429,838	9,651,672	9,832,297
Total Revenues	17,045,838	17,577,672	17,972,288
Expenditures:			
Instruction	10,984,525	10,625,491	9,565,365
Support services:			
Student	533,142	686,595	771,386
Instruction staff	1,169,389	1,377,134	1,337,374
District administrative	573,418	605,168	404,694
School administrative	1,243,073	1,282,084	1,357,591
Business	371,858	445,810	528,711
Plant operation and maintenance	2,303,127	2,405,531	1,997,606
Student transportation	949,038	936,207	687,772
Other	1,885,337	2,360,069	
Total Expenditures	20,012,907	20,724,089	16,650,499
Excess (Deficit) of Revenues over Expenditures	(2,967,069)	(3,146,417)	1,321,789
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	1,500	1,500	
Transfers in			6,272
Transfers out	(305,231)	(481,106)	(1,509,339)
Total Other Financing Sources (Uses)	(303,731)	(479,606)	(1,503,067)
Extraordinary item - KSBIT		(25,615)	(82,793)
Net Change in Fund Balance	(3,270,800)	(3,651,638)	(264,071)
Fund Balance, July 1, 2014	3,270,800	3,651,638	5,101,389
Fund Balance, June 30, 2015	\$ -	\$ -	\$ 4,837,318

DANVILLE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ 144	\$ 277
Other local revenues		509,522	578,286
Intergovernmental - State	456,179	878,162	907,896
Intergovernmental - Indirect Federal	1,218,234	1,653,614	1,215,156
Intergovernmental - Direct Federal	-		317,685
Total Revenues	<u>1,674,413</u>	<u>3,041,442</u>	<u>3,019,300</u>
Expenditures:			
Instruction	857,262	2,292,102	2,501,100
Support services:			
Student	123,865	147,113	151,495
Instruction staff	693,286	405,868	302,055
Plant operation and maintenance			10,289
Student transportation		52,870	41,530
Community service activities		217,136	226,766
Total Expenditures	<u>1,674,413</u>	<u>3,115,089</u>	<u>3,233,235</u>
Excess (Deficit) of Revenues over Expenditures	-	(73,647)	(213,935)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			134
Transfers in		88,995	278,273
Transfers out		(15,348)	(15,550)
Total Other Financing Sources (Uses)	<u>-</u>	<u>73,647</u>	<u>262,857</u>
Net Change in Fund Balance	-	-	48,922
Fund Balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>39,700</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,622</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2015

Last 10 Years *

	<u>2015</u>
Proportion of the net pension liability	0.125763%
Proportionate share of the net pension liability	\$ 4,080,000
Covered - employee payroll	\$ 2,885,214
Proportionate share of the net pension liability as percentage of covered payroll	141.4%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2015

Last 10 Years *

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 489,085
Contribution in relation to the actuarially determined contributions	<u>489,085</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 2,767,883
Contributions as a percentage of covered employee payroll	17.67%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$ 171,022	\$ -	\$ -	\$ 2,205	\$ 173,227
Total Assets	<u>\$ 171,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205</u>	<u>\$ 173,227</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted				2,205	2,205
Committed	171,022				171,022
Total Fund Balances	<u>171,022</u>	<u>-</u>	<u>-</u>	<u>2,205</u>	<u>173,227</u>
Total Liabilities and Fund Balances	<u>\$ 171,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205</u>	<u>\$ 173,227</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ 437,878	\$ -	\$ 437,878
Other local revenue	141,600				141,600
Earnings on investments	830		1,043		1,873
Intergovernmental - State		163,913	175,975	341,876	681,764
Total Revenues	142,430	163,913	614,896	341,876	1,263,115
Expenditures					
Instruction	126,670				126,670
Support services:					
Student	1,918				1,918
Instruction staff	21,048				21,048
Student transportation	20,002				20,002
Bond issue costs				40,565	40,565
Debt service:					
Principal				887,225	887,225
Interest				249,425	249,425
Total Expenditures	169,638	-	-	1,177,215	1,346,853
Excess (Deficit) of Revenues over Expenditures	(27,208)	163,913	614,896	(835,339)	(83,738)
Other Financing Sources (Uses)					
Bond proceeds from refunding bonds				2,805,000	2,805,000
Bond premium				3,949	3,949
Payments to refunded escrow agent				(2,763,031)	(2,763,031)
Transfers in	80,003			790,979	870,982
Transfers out		(279,599)	(898,780)		(1,178,379)
Total Other Financing Sources (Uses)	80,003	(279,599)	(898,780)	836,897	(261,479)
Net Change in Fund Balances	52,795	(115,686)	(283,884)	1,558	(345,217)
Fund balance, July 1, 2014	118,227	115,686	283,884	647	518,444
Fund balance, June 30, 2015	\$ 171,022	\$ -	\$ -	\$ 2,205	\$ 173,227

DANVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	<u>MARY G. HOGSETT ELEMENTARY</u>	<u>JENNIE ROGERS ELEMENTARY</u>	<u>TOLIVER ELEMENTARY</u>	<u>BATE MIDDLE</u>	<u>DANVILLE HIGH</u>	<u>TOTAL AGENCY FUND</u>
Assets						
Cash and cash equivalents	\$ 2,220	\$ 1,007	\$ 1,607	\$ 20,870	\$ 44,609	\$ 70,313
Receivables	-	-	-	-	-	-
Total Assets	<u>\$ 2,220</u>	<u>\$ 1,007</u>	<u>\$ 1,607</u>	<u>\$ 20,870</u>	<u>\$ 44,609</u>	<u>\$ 70,313</u>
Liabilities						
Accounts payable	\$ 169	\$ -	\$ -	\$ -	\$ 494	\$ 663
Due to student groups	2,051	1,007	1,607	20,870	44,115	69,650
Total Liabilities	<u>\$ 2,220</u>	<u>\$ 1,007</u>	<u>\$ 1,607</u>	<u>\$ 20,870</u>	<u>\$ 44,609</u>	<u>\$ 70,313</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

SCHOOL	BALANCE July 1, 2014	RECEIPTS	DISBURSE- MENTS	BALANCE June 30, 2015	RECEIVABLES June 30, 2015	PAYABLE June 30, 2015	DUE TO GROUPS June 30, 2015
MARY G. HOGSETT ELEMENTARY	\$ 8,091	\$ 33,606	\$ 39,477	\$ 2,220	\$ -	\$ 169	\$ 2,051
JENNIE ROGERS ELEMENTARY	6,694	19,475	25,162	1,007			1,007
TOLIVER ELEMENTARY	1,132	31,450	30,975	1,607			1,607
BATE MIDDLE	19,341	66,748	65,219	20,870			20,870
DANVILLE HIGH	62,643	282,424	300,458	44,609		494	44,115
	<u>\$ 97,901</u>	<u>\$ 433,703</u>	<u>\$ 461,291</u>	<u>\$ 70,313</u>	<u>\$ -</u>	<u>\$ 663</u>	<u>\$ 69,650</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
DANVILLE HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
	BALANCES July 1, 2014	RECEIPTS		BALANCES June 30, 2015				
ART	\$ -	\$ 21	\$ 3	\$ 18	\$ -	\$ -	\$ 18	
PATHWAYS	-	143	143	-	-	-	-	
SCHOOL STORE	45	-	23	22	-	-	22	
SERVICE LEARNING	-	135	115	20	-	-	20	
STUDENT PARKING TAG	-	544	528	16	-	16	-	
FEES (STUDENT)	21	4,263	4,222	62	-	62	-	
GENERAL ADMINISTRATION	396	892	1,274	14	-	14	-	
GUIDANCE	-	445	435	10	-	10	-	
MUSIC/VOCAL	-	1,726	1,726	-	-	-	-	
AP EXAMS	2,529	9,862	12,391	-	-	-	-	
INTERSESSION	5,241	19,980	23,024	2,197	-	-	2,197	
DISNEY INTERSESSION	-	600	63	537	-	-	537	
LIBRARY	409	767	880	296	-	296	-	
SCIENCE	-	440	440	-	-	-	-	
SOCIAL STUDIES	11	-	-	11	-	-	11	
FMD	-	600	464	136	-	-	136	
SENIOR SCHOLARSHIP	438	-	100	338	-	-	338	
VOCAL MUSIC	1,169	37	1,206	-	-	-	-	
STUDENT BADGES	-	445	-	445	-	-	445	
QUIZ BOWL	253	2,230	1,830	653	-	-	653	
YEARBOOK	2,236	1,547	40	3,743	-	-	3,743	
VOLLEYBALL	74	4,598	4,672	-	-	-	-	
BASEBALL	2,350	5,365	7,435	280	-	-	280	
BOYS BASKETBALL	9,331	13,760	22,636	455	-	-	455	
GIRLS BASKETBALL	11,400	21,204	31,430	1,174	-	-	1,174	
CHEERLEADERS	-	26,981	26,097	884	-	-	884	
CROSS COUNTRY	307	10,188	10,495	-	-	-	-	
GIRLS SOCCER	250	4,110	4,360	-	-	-	-	
FOOTBALL	3,093	25,789	28,469	413	-	-	413	
YOUTH FOOTBALL	-	5,272	4,513	759	-	-	759	
GOLF	-	10,243	9,164	1,079	-	-	1,079	
BOYS SOCCER	3,691	5,621	8,964	348	-	-	348	
SWIMMING	1,170	882	2,052	-	-	-	-	
BOYS TENNIS	-	324	324	-	-	-	-	
GIRLS TENNIS	-	1,852	1,852	-	-	-	-	
TRACK	2,084	16,225	17,019	1,290	-	-	1,290	
GIRLS SOFTBALL	-	6,632	6,632	-	-	-	-	
WRESTLING	2,112	16,859	18,971	-	-	-	-	
GIRLS BASKETBALL BOOSTER:	711	-	711	-	-	-	-	
CONSTITUTION BOWL	1,120	-	1,120	-	-	-	-	
UNIFORMS	736	-	736	-	-	-	-	
BOB ALLEN PIG SKIN	-	57,002	47,652	9,350	-	-	9,350	
FACULTY FUND	62	173	207	28	-	-	28	
DECA	677	-	-	677	-	-	677	
FCA	108	50	-	158	-	-	158	
FORENSICS	18	29,540	29,178	380	-	-	380	
FORENSICS NATIONALS	968	28,958	29,926	-	-	-	-	
LEADERSHIP	-	52	-	52	-	-	52	
CLASS OF 2015	1,713	35	1,748	-	-	-	-	
CLASS OF 2017	-	500	-	500	-	-	500	
CLASS OF 2016	500	3,851	2,984	1,367	-	-	1,367	
JR STATESMAN OF AMERICA	586	5,023	5,018	591	-	-	591	
PLAY PRODUCTION	1,845	4,400	6,245	-	-	-	-	
GENERAL ATHLETICS	-	12,039	3,446	8,593	-	-	8,593	
ELEMENTARY PROGRAM	-	97	-	97	-	-	97	
NHS	704	860	385	1,179	-	-	1,179	
PROJECT GRAD	1,243	7,361	6,143	2,461	-	-	2,461	
SPECIAL ED	-	725	368	357	-	-	357	
SPANISH CLUB	200	578	678	100	-	-	100	
STAFF APPRECIATION	12	28	40	-	-	-	-	
STUDENT COUNCIL	769	1,523	681	1,611	-	-	1,611	
TEXTBOOKS	47	7,955	7,906	96	-	96	-	
SENIOR TRIP	-	1,305	1,033	272	-	-	272	
STUDENT VENDING	1,514	836	1,810	540	-	-	540	
SURPRISE DELIGHT	-	372	372	-	-	-	-	
GRADUATION PHOTO	-	1,240	1,240	-	-	-	-	
N WEST MUTUAL SCHOOL	500	1,500	1,000	1,000	-	-	1,000	
TOTALS	62,643	386,585	404,619	44,609	-	494	44,115	
Transfers	-	104,161	104,161	-	-	-	-	
TOTALS	\$ 62,643	\$ 282,424	\$ 300,458	\$ 44,609	\$ -	\$ 494	\$ 44,115	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DANVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-14	\$ 135,451
		7750002-15	543,617
School Breakfast Program	10.553	7760005-14	49,277
		7760005-15	200,335
Summer Food Service Program for Children	10.559	7690024-14	1,834
		7740023-14	17,705
		7740023-15	33,429
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	<u>55,529</u>
TOTAL CHILD NUTRITION CLUSTER			<u>1,037,177</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,037,177</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Fund for the Improvement of Education	84.215	532AF	<u>317,685</u>
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3373	78
		3374	22,412
		337A	<u>318,819</u>
			<u>341,309</u>
Special Education - Preschool Grants	84.173	343A	<u>21,365</u>
			<u>21,365</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>362,674</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through Kentucky Council on Postsecondary Education			
Adult Education - State Grant Program	84.002	3714	<u>19,315</u>
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3104	55,688
		3104D	41,982
		310A	417,089
		310AM	15,000
			<u>529,759</u>
Migrant Education, State Grant Program	84.011	3114	76,525
		311A	<u>62,449</u>
			<u>138,974</u>
Vocational Education - Basic Grants to States	84.048	3484A	679
		348A	<u>20,715</u>
			<u>21,394</u>
Rural Education	84.358	3503	<u>24,845</u>

The accompanying notes are an integral part of this schedule.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
English Language Acquisition State Grants	84.365	3454 345A	3,323 219 <hr/> 3,542
Improving Teacher Quality - State Grants	84.367	4014 401A	24,916 646 <hr/> 25,562
Race to the Top	84.413A	4521	<hr/> 20,271
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 1,464,021
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,501,198</u>

The accompanying notes are an integral part of this schedule.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Danville Independent School District under programs of the federal government for the year ended June 30, 2015. 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 Danville Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Danville Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. 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. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DANVILLE INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
DEPARTMENT OF AGRICULTURE	
10.555	National School Lunch Program
10.553	School Breakfast Program
10.559	Summer Food Service Program for Children
DEPARTMENT OF EDUCATION	
84.215	Fund for the Improvement of Education

Dollar threshold used to distinguish
Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

No Matters

Section III – Federal Award Findings and Questioned Costs

No Matters

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

There were no prior federal audit findings.

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

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Danville Independent School District
Danville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Danville Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Danville Independent School District's basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Danville Independent School District's internal control over financial reporting (internal control) to determine the audit 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Danville Independent School District in a separate letter dated October 16, 2015.

Purpose of this Report

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



Certified Public Accountants
Elizabethtown, Kentucky
October 16, 2015

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

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Danville Independent School District
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Danville Independent School District's 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 Danville Independent School District's major federal programs for the year ended June 30, 2015. Danville Independent School 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 Danville Independent School 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 Danville Independent School 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 Danville Independent School District's compliance

Opinion on Each Major Federal Program

In our opinion, Danville Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Danville Independent School 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 Danville Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 Danville Independent School 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 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.



Certified Public Accountants
Elizabethtown, Kentucky
October 16, 2015

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
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BRIAN S. WOOSLEY, CPA



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Members of the Board of Education of
Danville Independent School District
Danville, Kentucky

In planning and performing our audit of the basic financial statements of Danville Independent School District for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated October 16, 2015, contains our report on the District's internal control. This letter does not affect our report dated October 16, 2015, on the financial statements of the Danville Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. 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.

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

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
October 16, 2015

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMMENTS

JUNE, 30 2015

PRIOR YEAR UNCORRECTED COMMENTS

TOLIVER ELEMENTARY SCHOOL

INVENTORY CONTROL

We noted forms F-SA-5, Inventory Control Worksheet, for the school's bookstore and the school's T-Shirts were not completed for the months of March or April. This is due to an interim CFT working in March and the current CFT working in April. Neither CFT was aware of the bookstore or the T-Shirts. The CFT is going to resume completing the Inventory Control Worksheet in May and continue to use it in the future.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

CURRENT YEAR COMMENTS

MARY G HOGSETT ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted Kristy Green, CFT, writes and mails checks. The duties of recording payments/printing checks, and matching invoices to checks/mailling checks should each be performed by separate people.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

CREDIT CARDS

We noted Hogsett Elementary has two Walmart credit cards; however, the school tracks usage of the cards on two index cards, rather than the required form F-SA-13, Credit Card Sign In/Out Form.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015..

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMMENTS

JUNE, 30 2015

JENNIE ROGERS ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

SCA noted that the school's CFT photocopies the checks, records revenue into the accounting system, takes the deposits to the bank, enters invoices into the accounting system, prints checks, matches the invoices to the checks, mails the checks, clears the checks into the accounting system, reconciles the bank account, and reviews the bank reconciliation. According to Redbook, these duties should be segregated.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

MULTIPLE RECEIPT FORMS

SCA noted that the Multiple Receipt Form (F-SA-6) attached to the deposit in the amount of \$1,020.00 that was made on 02/03/2015 for the fifth grade field trip was completed by one person. Redbook requires that students third grade and above must sign the Multiple Receipt Form.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

DONATIONS

SCA noted that the donations received on 12/17/2014 in the amount of \$224.05 did not have attached a Donations Acceptance Form (F-SA-18). The donation was cash and was deposited into the General Fund.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

DEPOSITS

SCA noted that the deposit made on 08/14/2014 had an attached Multiple Receipt Form (F-SA-6) for a check received from Pepsi Co. The MRF states that the \$54.00 was to be deposited into the Vending Fund, but the pre-numbered receipt states that it was deposited into the General Fund. According to the questionnaire completed by the school's CFT, the vending fund is used to pay for staff items.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

UNTIMELY DEPOSITS

SCA noted that the deposit made on 08/14/2014 had a copy of a check from Danville Board of Education in the amount of \$995.28 that was dated 07/25/2014, three weeks prior to being deposited. Redbook requires that any amount greater than \$100.00 be deposited the day it was received.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMMENTS

JUNE, 30 2015

JENNIE ROGERS ELEMENTARY SCHOOL – CONTINUED

UNALLOWABLE ITEM

SCA noted that check #1562, in the amount of \$39.90, dated 11/20/2014, written to Danville Trophy & Engraving from the Pictures Fund was for teacher signs. Redbook disallows the purchase of operational items from school activity funds.

SCA noted that check #1543, in the amount of \$53.15, dated 09/03/2014, written to Office Depot from the School Pictures Fund was for the purchase of office supplies. Redbook disallows the purchase of operational items from school activity funds.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

TOLIVER ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted Kelly Cress, CFT, photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system and takes the deposit to the bank. A third party should be involved to make the deposit in the handling of receipts process. We also noted that the CFT enters invoices in to the accounting system, prints checks, matches invoices to checks, and mails the checks. A third party should be involved to match invoices to checks and mail the checks.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

UNALLOWABLE PURCHASE

We noted check #4733 dated 4/6/15 in the amount of \$230 written to Wal-mart for the purchase of the teacher supplies had sales tax amounting to \$7.77 being paid. The CFT stated that they have contacted Walmart and are in the process of getting it refunded. Once they receive the refund they are going to use cross referencing when recording it so that when we look at this check it will be clear that it has been refunded and where the refund is recorded.

We noted check #4723 dated 10/13/14 in the amount of \$15 written to Noelle Dilbeck for the refund of T-Shirts was not a board approved expense. It was refunded because she had ordered T-Shirts that did not meet the schools dress code and at the time the school only ordered what T-Shirts they had requested.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMMENTS

JUNE, 30 2015

BATE MIDDLE SCHOOL

TICKET SALES

SCA noted that the Requisition and Report of Ticket Sales Form (F-SA1) that was completed for the Girls Softball game held on 05/12/2015 had the same person sign off as both the ticket seller and taker. According to the Redbook, these duties should be segregated.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.

DANVILLE HIGH SCHOOL

PURCHASE ORDER FORMS

SCA noted that check #19831, 19887, and 20312, dated 08/20/2014, 09/04/2014, and 01/20/2015 respectively, had Purchase Order Forms (form F-SA-7) attached that didn't include a date stating when the Purchase Order Form was submitted.

MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 31, 2015.