

DAVISS COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, the budgetary comparison schedules, and the pension schedules on pages 3-11 and 54-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

The discussion and analysis of Daviess County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position, as restated, increased \$3,770,569. Net position of governmental activities, as restated, increased by \$3,609,505, while net position of business-type activities, as restated, increased by \$161,064. Net position was restated to adhere to a new accounting standard pertaining to pension liabilities.
- General revenues accounted for \$93,980,853 in revenue or 85.9% of all governmental revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$15,379,468 or 14.1% of total governmental revenues of \$109,360,321.
- Total assets of governmental activities increased by \$11,647,227. Capital assets increased by \$5,816,505, while cash and investments increased by \$6,022,588 due to the bond issue for construction projects in progress.
- The School District had \$105,750,816 in expenses related to governmental activities; only \$15,379,468 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations), were adequate to provide for these programs.
- Construction continued during fiscal year 2015. Projects include renovations at Daviess County High, Burns Middle and Daviess County Middle.

Using the Basic Financial Statements

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

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

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District as a Whole

One of the most important questions asked about the School District is “how did we do financially during 2015?” The **Statement of Net Position** and the **Statement of Activities**, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received and paid.

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District's Most Significant Funds, Continued

activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 53 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33,835,315 for Governmental Activities, and \$194,159 for Business-Type Activities as of June 30, 2015.

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Included for June 30, 2015, is the district's liability for the net pension obligation.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District's Most Significant Funds, Continued

Government-Wide Financial Analysis, Continued

(Table 1)
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current and other assets	\$ 33,557,766	\$ 27,727,044	\$2,473,216	\$2,462,688	\$ 36,030,982	\$ 30,189,732
Capital assets	<u>100,964,781</u>	<u>95,148,276</u>	<u>939,277</u>	<u>930,312</u>	<u>101,904,058</u>	<u>96,078,588</u>
Total assets	<u>134,522,547</u>	<u>122,875,320</u>	<u>3,412,493</u>	<u>3,393,000</u>	<u>137,935,040</u>	<u>126,268,320</u>
Deferred Outflows of Resources						
Deferred charges on refunding	1,203,227	1,435,698	-	-	1,203,227	1,435,698
Pension deferred outflows	<u>2,257,787</u>	<u>-</u>	<u>398,433</u>	<u>-</u>	<u>2,656,220</u>	<u>-</u>
Total deferred outflows of resources	<u>3,461,014</u>	<u>1,435,698</u>	<u>398,433</u>	<u>-</u>	<u>3,859,447</u>	<u>1,435,698</u>
Liabilities						
Long-term liabilities	93,876,287	62,641,265	3,169,050	-	97,045,337	62,641,265
Other liabilities	<u>8,267,659</u>	<u>12,919,043</u>	<u>94,017</u>	<u>90,805</u>	<u>8,361,676</u>	<u>13,009,848</u>
Total liabilities	<u>102,143,946</u>	<u>75,560,308</u>	<u>3,263,067</u>	<u>90,805</u>	<u>105,407,013</u>	<u>75,651,113</u>
Deferred Inflows of Resources						
Pension deferred inflows	<u>2,004,300</u>	<u>-</u>	<u>353,700</u>	<u>-</u>	<u>2,358,000</u>	<u>-</u>
Net investment in capital assets						
Restricted	10,376,847	7,242,366	-	-	10,376,847	7,242,366
Unrestricted	<u>(5,662,368)</u>	<u>10,466,868</u>	<u>(745,118)</u>	<u>2,371,883</u>	<u>(6,407,486)</u>	<u>12,838,751</u>
Total net position	<u>\$ 33,835,315</u>	<u>\$ 48,750,710</u>	<u>\$ 194,159</u>	<u>\$3,302,195</u>	<u>\$ 34,029,474</u>	<u>\$ 52,052,905</u>

Total assets increased \$11,666,720 primarily due to bond issue and new construction. Total net position increased by \$3,770,569.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

(Table 2)
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program revenues:						
Charges for services	\$ 576,656	\$ 449,491	\$ 3,468,836	\$ 3,487,430	\$ 4,045,492	\$ 3,936,921
Operating grants and contributions	10,564,475	10,540,816	4,621,343	4,813,632	15,185,818	15,354,448
Capital grants and contributions	4,238,337	3,980,391	-	-	4,238,337	3,980,391
General revenues:						
Taxes	35,618,921	33,126,497	-	-	35,618,921	33,126,497
State aid formula grants	38,886,536	37,800,908	-	-	38,886,536	37,800,908
Investment earnings	164,957	162,019	10,644	10,552	175,601	172,571
Gain on sale of capital assets	125,188	12,606	-	-	125,188	12,606
Miscellaneous	345,975	327,447	-	-	345,975	327,447
State on behalf payments	18,779,327	17,117,404	-	-	18,779,327	17,117,404
Transfers	59,949	78,804	(59,949)	(78,804)	-	-
Total revenues and transfers	<u>109,360,321</u>	<u>103,596,383</u>	<u>8,040,874</u>	<u>8,232,810</u>	<u>117,401,195</u>	<u>111,829,193</u>
Program expenses:						
Instruction	63,629,594	66,173,036	-	-	63,629,594	66,173,036
Support services:						
Student	3,858,555	4,059,839	-	-	3,858,555	4,059,839
Instructional staff	3,601,594	3,371,081	-	-	3,601,594	3,371,081
District administration	913,047	877,830	-	-	913,047	877,830
School administration	6,823,094	6,504,827	-	-	6,823,094	6,504,827
Business	1,876,086	1,794,613	-	-	1,876,086	1,794,613
Facility operations/maintenance	9,259,125	7,261,360	-	-	9,259,125	7,261,360
Student transportation	7,269,341	7,620,869	-	-	7,269,341	7,620,869
Non-instructional	888,109	851,131	-	-	888,109	851,131
Facility acquisition/construction	4,959,040	2,542,503	-	-	4,959,040	2,542,503
After school program	-	-	1,030,788	1,054,700	1,030,788	1,054,700
Interest on long-term debt	2,673,231	2,547,481	-	-	2,673,231	2,547,481
Food service	-	-	6,849,022	6,928,472	6,849,022	6,928,472
Total expenses and transfers	<u>105,750,816</u>	<u>103,604,570</u>	<u>7,879,810</u>	<u>7,983,172</u>	<u>113,630,626</u>	<u>111,587,742</u>
Increase/decrease in net position	<u>\$ 3,609,505</u>	<u>\$ (8,187)</u>	<u>\$ 161,064</u>	<u>\$ 249,638</u>	<u>\$ 3,770,569</u>	<u>\$ 241,451</u>

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District's Most Significant Funds, Continued

Governmental Activities

Instruction comprises 60.2% of governmental program expenses. Support services expenses make up 31.8% of governmental expenses. Non-instructional expenses for community services total .8% of governmental expenses. Facilities acquisition/construction and interest accounts for the remaining 7.2% of the total governmental expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. The total cost of services includes state on-behalf payments in the amount of \$18,779,327 for 2015.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 63,629,594	\$ 66,173,036	\$55,686,592	\$58,309,724
Support services	33,600,842	31,490,419	31,240,654	29,161,943
Non-instructional	888,109	851,131	(1,891)	2,342
Facilities acquisition/construction	4,959,040	2,542,503	966,669	(1,187,434)
Interest on long-term debt	<u>2,673,231</u>	<u>2,547,481</u>	<u>2,479,324</u>	<u>2,347,297</u>
Total expenses	<u>\$105,750,816</u>	<u>\$103,604,570</u>	<u>\$90,371,348</u>	<u>\$88,633,872</u>

Business-Type Activities

The business-type activities are food service and after school programs. These programs had revenues of \$8,100,823 and expenses of \$7,879,810 for fiscal year 2015. Of the revenues, \$3,468,836 was charges for services, \$4,621,343 was from state and federal grants, and \$10,644 was from investment earnings. Indirect cost transfers and other transfers totaled \$59,949. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of these activities. If it becomes necessary, the School District will increase the charges for these activities.

The School District's Funds

Information about the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$122,441,988 and expenditures of \$117,747,788. Net changes in fund balances for the year were most significant for the Construction Fund totaling \$2,958,232. The General Fund's fund balance increased by \$1,559,719.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Reporting the School District's Most Significant Funds, Continued

General Fund-Budget Highlights

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

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

A variance comparison is presented on page 54 between the final budgeted amounts and the actual (GAAP Basis) amounts. The General Fund revenues were budgeted at \$87,350,060, with actual amounts of \$89,623,466. Budgeted expenditures of \$102,057,424 compare with actual expenditures of \$89,341,509, a difference of \$12,715,915. The source of the expense budget variances is related to amounts budgeted for contingencies. Budgeted other financing sources was \$1,027,609, with actual financing sources of \$1,277,762. The net increase in the General Fund balance is \$1,559,719.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$101,904,058 invested in land, buildings, equipment and construction in progress, \$100,964,781 in governmental activities, and \$939,277 in business-type activities. Table 4 shows fiscal year 2015 balances compared to 2014.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 4,244,370	\$ 3,484,809	\$ -	\$ -	\$ 4,244,370	\$ 3,484,809
Land improvements	712,321	790,362	7,726	8,499	720,047	798,861
Buildings and improvements	79,139,302	78,935,067	-	-	79,139,302	78,935,067
Technology equipment	3,142,167	3,462,221	86,703	63,892	3,228,870	3,526,113
Vehicles	4,018,003	3,882,220	19,453	-	4,037,456	3,882,220

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Capital Assets and Debt Administration, Continued

Capital Assets, Continued

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General equipment	1,175,272	1,234,139	825,395	857,921	2,000,667	2,092,060
Construction in progress	<u>8,533,346</u>	<u>3,359,458</u>	<u>-</u>	<u>-</u>	<u>8,533,346</u>	<u>3,359,458</u>
Total	<u>\$100,964,781</u>	<u>\$ 95,148,276</u>	<u>\$ 939,277</u>	<u>\$ 930,312</u>	<u>\$101,904,058</u>	<u>\$96,078,588</u>

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

Debt

At June 30, 2015, the School District had \$72,581,000 in bonds outstanding, of which \$1,295,174 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$4,725,000 is due within one year.

At June 30, 2014, the School District had \$64,660,000 in bonds outstanding, of which \$141,542 was to be paid from the KSFCC funding provided by the State of Kentucky.

District Challenges for the Future

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

A challenge facing our School District is that of inadequate state funding. In recent years, the state has placed an assortment of mandates on Kentucky school districts, yet adequate funding for those mandates has not been provided. This practice, over time, will place a severe strain on the District's resources. The District maintains a contingency plan to deal with state funding shortfalls, but this will only be effective for the short-term. A long-term solution at the state level must be determined and enacted by the state legislature to ensure adequate funding for Kentucky's public school districts. To balance state funding shortfalls, increased pressure has been placed on local boards of education to increase taxes, placing a hardship on local school districts and local taxpayers.

Daviess County School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

District Challenges for the Future, Continued

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

A second financial risk facing Daviess County Public Schools is the rising retirement/pension costs and also the financial instability in the state pension fund. The employer matching percentage has more than doubled over the last seven-year period for the support personnel. Additionally, Kentucky school boards began contributing to the Kentucky Teachers Retirement System (KTRS) for the first time ever in FY 2011 and this continued to increase in FY 2015. School boards began contributing at a rate of 0.25%, up to a maximum amount of 3.0%, phased-in over a six-year period in an effort to stabilize the KTRS medical fund. The KTRS rate will increase an additional 0.75% in FY 2016 and results in total new, annual estimated expense of \$1.2 million once fully implemented in FY 2016. Legislation was approved in the General Assembly that forbids the state from continuing to borrow from the KTRS pension fund to meet the state's pension obligation. No additional state funding has been appropriated to offset this rising cost and the District has been forced to increase local funding to provide the necessary revenue to offset the unavoidable, mandated cost increases. Further, instability in the state pension fund is a large financial concern for the state's budget and if left unresolved, could result in negative financial consequences to Kentucky's public school districts.

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

Contacting the School District's Financial Management

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

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,905,426	\$ 2,180,361	\$ 29,085,787
Investments	4,886,168	-	4,886,168
Accounts receivable:			
Taxes	1,136,580	-	1,136,580
Other	124,572	9,801	134,373
Due from other governments	139,714	168,869	308,583
Due from fiduciary funds	15,922	-	15,922
Inventory	284,325	114,185	398,510
Prepays and other current assets	65,059	-	65,059
Capital assets, net	<u>100,964,781</u>	<u>939,277</u>	<u>101,904,058</u>
Total assets	<u>134,522,547</u>	<u>3,412,493</u>	<u>137,935,040</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	1,203,227	-	1,203,227
Pension deferred outflows	<u>2,257,787</u>	<u>398,433</u>	<u>2,656,220</u>
Total deferred outflows of resources	<u>3,461,014</u>	<u>398,433</u>	<u>3,859,447</u>
LIABILITIES			
Accounts payable	606,231	1,364	607,595
Accrued salaries and benefits	3,942,885	-	3,942,885
Payroll withholdings	1,416,160	-	1,416,160
Accrued interest payable	597,349	-	597,349
Unearned revenue	1,705,034	92,653	1,797,687
Long-term liabilities:			
Due within one year	5,948,650	-	5,948,650
Due in more than one year	<u>87,927,637</u>	<u>3,169,050</u>	<u>91,096,687</u>
Total liabilities	<u>102,143,946</u>	<u>3,263,067</u>	<u>105,407,013</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	<u>2,004,300</u>	<u>353,700</u>	<u>2,358,000</u>
NET POSITION			
Net investment in capital assets	29,120,836	939,277	30,060,113
Restricted for:			
Capital projects	2,247,167	-	2,247,167
Other	8,027,242	-	8,027,242
Technology	102,438	-	102,438
Unrestricted	<u>(5,662,368)</u>	<u>(745,118)</u>	<u>(6,407,486)</u>
Total net position	<u>\$ 33,835,315</u>	<u>\$ 194,159</u>	<u>\$ 34,029,474</u>

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
Instruction	\$ 63,629,594	\$ 336,716	\$ 7,554,227	\$ 52,059	\$ (55,686,592)	\$ (55,686,592)
Support services:						
Student	3,858,555	-	1,154,980	-	(2,703,575)	(2,703,575)
Instructional staff	3,601,594	-	618,573	-	(2,983,021)	(2,983,021)
District administration	913,047	-	-	-	(913,047)	(913,047)
School administration	6,823,094	-	10,975	-	(6,812,119)	(6,812,119)
Business	1,876,086	-	-	-	(1,876,086)	(1,876,086)
Plant operation and maintenance	9,259,125	30,835	1,496	-	(9,226,794)	(9,226,794)
Student transportation	7,269,341	209,105	334,224	-	(6,726,012)	(6,726,012)
Community services	888,109	-	890,000	-	1,891	1,891
New building construction	2,570,660	-	-	-	(2,570,660)	(2,570,660)
Building renovations / additions	2,388,380	-	-	3,992,371	1,603,991	1,603,991
Interest on long-term liabilities	2,673,231	-	-	193,907	(2,479,324)	(2,479,324)
Total governmental activities	105,750,816	576,656	10,564,475	4,238,337	(90,371,348)	(90,371,348)
Business-type activities:						
Food service	6,849,022	2,357,554	4,590,054	-	-	\$ 98,586
After school program	1,030,788	1,111,282	31,289	-	-	111,783
Total business-type activities	7,879,810	3,468,836	4,621,343	-	-	210,369
Total district	\$ 113,630,626	\$ 4,045,492	\$ 15,185,818	\$ 4,238,337	(90,371,348)	210,369
General revenues:						
Property taxes				31,199,595	-	31,199,595
Utility taxes				4,419,326	-	4,419,326
State aid formula grants				38,886,536	-	38,886,536
On-behalf payments				18,779,327	-	18,779,327
Investment earnings				164,957	10,644	175,601
Gain on sale of capital assets				125,188	-	125,188
Miscellaneous				345,975	-	345,975
Transfers				59,949	(59,949)	-
Total general revenues and transfers				93,980,853	(49,305)	93,931,548
Change in net position				3,609,505	161,064	3,770,569
Net position, June 30, 2014, restated				30,225,810	33,095	30,258,905
Net position, June 30, 2015				\$ 33,835,315	\$ 194,159	\$ 34,029,474

DAVISS COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 14,592,078	\$ 1,585,650	\$ 9,046,139	\$ 1,681,559	\$ 26,905,426
Investments	4,886,168	-	-	-	4,886,168
Accounts receivable:					
Taxes	1,136,580	-	-	-	1,136,580
Other	81,112	43,460	-	-	124,572
Due from other governments	32,450	82,881	-	-	115,331
Due from other funds	3,500	6,000	-	6,422	15,922
Inventory	284,325	-	-	-	284,325
Prepaid expenses	34,721	-	-	-	34,721
Total assets	\$ 21,050,934	\$ 1,717,991	\$ 9,046,139	\$ 1,687,981	\$ 33,503,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 124,301	\$ 22,219	\$ 459,711	\$ -	\$ 606,231
Due to other funds	-	-	-	-	-
Accrued salaries and benefits	3,942,885	-	-	-	3,942,885
Payroll withholdings	1,416,160	-	-	-	1,416,160
Unearned revenue	111,700	1,593,334	-	-	1,705,034
Total liabilities	5,595,046	1,615,553	459,711	-	7,670,310
Deferred inflows of resources:					
Unavailable revenue - delinquent property taxes	216,414	-	-	-	216,414
Fund balances:					
Nonspendable	284,325	-	-	-	284,325
Restricted	-	102,438	8,586,428	1,687,981	10,376,847
Committed	217,036	-	-	-	217,036
Assigned	1,021,861	29,879	-	-	1,051,740
Unassigned	13,716,252	(29,879)	-	-	13,686,373
Total fund balances	15,239,474	102,438	8,586,428	1,687,981	25,616,321
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,050,934	\$ 1,717,991	\$ 9,046,139	\$ 1,687,981	\$ 33,503,045

DAVISS COUNTY SCHOOL DISTRICT

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

June 30, 2015

Total fund balances - governmental funds	\$	25,616,321
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:		100,964,781
Certain assets are not available to pay for current period expenditures:		
BAB interest subsidy receivable	\$ 24,383	
Accrued interest receivable	30,338	
Taxes receivable	<u>216,414</u>	271,135
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in governmental funds:		
Bonds payable	\$ (72,581,000)	
Issuance premiums	(31,610)	
Issuance discounts	1,029,157	
Deferred charges on refunding	1,203,227	
Capital lease obligations	(1,463,719)	
KSBIT assessment	(110,092)	
Compensated absences	(2,761,073)	
Net pension liability	(17,957,950)	
Accrued interest payable	<u>(597,349)</u>	(93,270,409)
Certain amounts related to the net pension liability are not reported in the governmental funds, but are deferred in the statement of net position:		
Pension deferred outflows	\$ 2,257,787	
Pension deferred inflows	<u>(2,004,300)</u>	<u>253,487</u>
Net position of governmental activities	\$	<u><u>33,835,315</u></u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 26,214,348	\$ -	\$ -	\$ 4,996,900	\$ 31,211,248
Utility taxes	4,419,326	-	-	-	4,419,326
Tuition and fees	87,146	-	-	-	87,146
Earnings on investments	130,949	-	20,886	5,000	156,835
Other local revenue	522,572	411,437	-	213,712	1,147,721
State aid	57,794,604	4,242,013	-	3,609,099	65,645,716
Federal aid	454,521	5,867,171	-	189,253	6,510,945
Total revenues	89,623,466	10,520,621	20,886	9,013,964	109,178,937
Expenditures:					
Instruction	58,203,078	9,143,750	-	100,571	67,447,399
Support services:					
Student	3,198,707	700,458	-	-	3,899,165
Instructional staff	3,312,307	220,793	-	99,764	3,632,864
District administration	848,117	-	-	-	848,117
School administration	6,891,032	10,975	-	-	6,902,007
Business	1,952,013	-	-	-	1,952,013
Plant operation and maintenance	7,692,264	1,496	-	-	7,693,760
Student transportation	7,243,991	334,224	-	-	7,578,215
Community services	-	890,000	-	-	890,000
New building construction	-	-	2,567,160	3,500	2,570,660
Building renovations / additions	-	-	7,582,210	-	7,582,210
Debt service:					
Principal	-	-	-	4,490,000	4,490,000
Interest	-	-	-	2,158,914	2,158,914
Bond issuance costs	-	-	102,464	-	102,464
Total expenditures	89,341,509	11,301,696	10,251,834	6,852,749	117,747,788
Excess (deficiency) of revenues over expenditures	281,957	(781,075)	(10,230,948)	2,161,215	(8,568,851)
Other financing sources (uses):					
Proceeds from sale of capital assets	34,305	-	198,019	-	232,324
Proceeds from issuance of bonds	-	-	12,411,000	-	12,411,000
Proceeds from issuance of capital leases	738,278	-	-	-	738,278
Refunding bonds issued	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Discount on bonds issued	-	-	(198,442)	-	(198,442)
Premium on bonds issued	-	-	-	-	-
Operating transfers in	1,344,891	839,712	778,603	6,400,476	9,363,682
Operating transfers out	(839,712)	-	-	(8,444,079)	(9,283,791)
Total other financing sources (uses)	1,277,762	839,712	13,189,180	(2,043,603)	13,263,051
Net change in fund balances	1,559,719	58,637	2,958,232	117,612	4,694,200
Fund balance, June 30, 2014	13,679,755	43,801	5,628,196	1,570,369	20,922,121
Fund balance, June 30, 2015	\$ 15,239,474	\$ 102,438	\$ 8,586,428	\$ 1,687,981	\$ 25,616,321

DAVISS COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 4,694,200

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

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

Capital outlays	\$ 11,736,880	
Depreciation expense	<u>(5,813,239)</u>	5,923,641

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss: (107,136)

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

Decrease in taxes receivable	\$ (11,653)	
Decrease in BAB interest subsidy receivable	(222)	
Increase in accrued interest receivable	<u>8,122</u>	(3,753)

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

Principal payments on bonds	\$ 4,490,000	
Principal payments on lease obligations	1,034,495	
Bonds defeased	-	
Proceeds from issuance of bonds	(12,411,000)	
Proceeds from issuance of capital leases	(738,278)	
Discount on bonds issued	198,442	
Premium on bonds issued	-	
Deferred amounts on refunding	-	
Amortization of discounts on debt	(82,221)	
Amortization of premiums on debt	3,888	
Amortization of deferred refunding charges	<u>(232,471)</u>	(7,737,145)

Certain expenses reported in the statement of activities do not require the use of
current financial resources, and, therefore, are not reported as expenditures in
governmental funds:

Decrease in accrued sick leave liability	\$ 25,036	
Decrease in pension expense	820,437	
Decrease in KSBIT assessment	36,697	
Increase in accrued interest payable	<u>(42,472)</u>	<u>839,698</u>

Change in net position of governmental activities \$ 3,609,505

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Enterprise Funds		Total
	Food Service Fund	After School Fund	
ASSETS			
Current assets:			
Cash	\$ 1,642,506	\$ 537,855	\$ 2,180,361
Accounts receivable:			
Operating	-	9,801	9,801
Due from other governments	168,869	-	168,869
Inventory	114,185	-	114,185
Total current assets	1,925,560	547,656	2,473,216
Noncurrent assets:			
Capital assets	3,185,487	253,357	3,438,844
Less accumulated depreciation	(2,357,863)	(141,704)	(2,499,567)
Total noncurrent assets	827,624	111,653	939,277
Total assets	2,753,184	659,309	3,412,493
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferred outflows	345,309	53,124	398,433
LIABILITIES			
Current liabilities:			
Accounts payable	1,364	-	1,364
Unearned revenue	86,042	6,611	92,653
Total current liabilities	87,406	6,611	94,017
Non-current liabilities:			
Net pension liability	2,746,510	422,540	3,169,050
Total liabilities	2,833,916	429,151	3,263,067
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	306,540	47,160	353,700
NET POSITION			
Net investment in capital assets	827,624	111,653	939,277
Unrestricted	(869,587)	124,469	(745,118)
Total net position	\$ (41,963)	\$ 236,122	\$ 194,159

DAVIESS COUNTY SCHOOL DISTRICT

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

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Operating revenues:			
Charges for services	\$ 2,357,554	\$ 1,111,282	\$ 3,468,836
Operating expenses:			
Salaries and wages	2,023,935	719,306	2,743,241
Employee benefits	407,559	104,634	512,193
Professional and technical services	20,550	9,427	29,977
Property services	46,863	229	47,092
Other purchased services	146,603	2,280	148,883
Supplies and materials	4,004,155	162,275	4,166,430
Property	39,398	4,667	44,065
Miscellaneous	13,314	-	13,314
Depreciation	146,645	27,970	174,615
Total operating expenses	6,849,022	1,030,788	7,879,810
Operating income (loss)	(4,491,468)	80,494	(4,410,974)
Nonoperating revenues (expenses):			
Government grants	3,843,156	31,289	3,874,445
Donated commodities	746,898	-	746,898
Interest income	7,922	2,722	10,644
Total nonoperating revenues (expenses)	4,597,976	34,011	4,631,987
Income before capital contribution and transfers	106,508	114,505	221,013
Capital contribution	19,942	-	19,942
Transfers out	(79,891)	-	(79,891)
Change in net position	46,559	114,505	161,064
Net position, June 30, 2014, restated	(88,522)	121,617	33,095
Net position, June 30, 2015	\$ (41,963)	\$ 236,122	\$ 194,159

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Enterprise Funds		
	Food Service Fund	After School Fund	Total
Cash flows from operating activities:			
Cash received from:			
Charges for services	\$ 2,366,645	\$ 1,102,469	\$ 3,469,114
Cash paid to / for:			
Employees	(2,556,973)	(843,244)	(3,400,217)
Supplies	(3,188,908)	(162,275)	(3,351,183)
Other services	(266,019)	(16,639)	(282,658)
Net cash provided by (used in) operating activities	<u>(3,645,255)</u>	<u>80,311</u>	<u>(3,564,944)</u>
Cash flows from noncapital financing activities:			
Government grants	3,764,798	31,289	3,796,087
Transfers out	(79,891)	-	(79,891)
Net cash provided by noncapital financing activities	<u>3,684,907</u>	<u>31,289</u>	<u>3,716,196</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(119,776)	(43,862)	(163,638)
Net cash used in capital and related financing activities	<u>(119,776)</u>	<u>(43,862)</u>	<u>(163,638)</u>
Cash flows from investing activities:			
Interest income	7,922	2,722	10,644
Net cash provided by investing activities	<u>7,922</u>	<u>2,722</u>	<u>10,644</u>
Net increase (decrease) in cash and cash equivalents	<u>(72,202)</u>	<u>70,460</u>	<u>(1,742)</u>
Cash and cash equivalents:			
Beginning of year	1,714,708	467,395	2,182,103
End of year	<u>\$ 1,642,506</u>	<u>\$ 537,855</u>	<u>\$ 2,180,361</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (4,491,468)	\$ 80,494	\$ (4,410,974)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	146,645	27,970	174,615
Commodities used	746,898	-	746,898
Changes in assets and liabilities:			
Accounts receivable - operating	-	(3,946)	(3,946)
Inventory	70,034	-	70,034
Accounts payable	(976)	(36)	(1,012)
Net pension liability and deferrals	(125,479)	(19,304)	(144,783)
Deferred revenue	9,091	(4,867)	4,224
Net cash provided by (used in) operating activities	<u>\$ (3,645,255)</u>	<u>\$ 80,311</u>	<u>\$ (3,564,944)</u>
Noncash noncapital financing activities:			
Food commodities from the U.S. Department of Agriculture	<u>\$ 746,898</u>		

DAVIESS COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust Fund	Activity Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 1,507,336
Accounts receivable	-	6,176
Inventory	-	26,865
	<u> </u>	<u> </u>
Total assets	<u> </u>	<u>1,540,377</u>
LIABILITIES		
Accounts payable	-	18,610
Due to General Fund	-	3,500
Due to Special Revenue Fund		6,000
Due to District Activity Fund		6,422
Due to student groups	-	1,505,845
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>1,540,377</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

DAVISS COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions	\$ 1,500
Deductions:	
Student support services	<u>1,500</u>
Change in net position	-
Net position, June 30, 2014	<u>-</u>
Net position, June 30, 2015	<u><u>\$ -</u></u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

1. Reporting Entity

The Daviess County Board of Education (Board) is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Daviess County School District (District). Board members are elected by the public and have decision making authority for the District.

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

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

The District reports the following funds:

Governmental Funds:

General Fund:

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

Special Revenue Funds:

Special Revenue Fund:

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

District Activity Fund:

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

Capital Projects Funds:

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

SEEK Capital Outlay Fund:

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

FSPK Building Fund:

The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities.

Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund:

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

Debt Service Fund:

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

Proprietary Funds (Enterprise):

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

Food Service Fund:

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

After School Fund:

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

Fiduciary Funds:

Private Purpose Trust Fund:

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

School Activity Funds:

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

Basis of Accounting

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

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

Non-Exchange Transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from Non-Exchange Transactions must also be available before they can be recognized.

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

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

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

Budgetary Principles

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

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

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

Encumbrance Accounting

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

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

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include federal and state funding and taxes. Balances deemed uncollectible are written off; therefore, the District does not record an allowance for doubtful accounts.

Inventories

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

Capital Assets

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

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

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

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

Property Taxes

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

The assessed value of the roll on January 1, 2014, on which the levy for the 2015 fiscal year was based, totaled \$4,996,899,280. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The tax rates assessed for the year ended June 30, 2015, to finance General Fund and FSPK Building Fund operations were 51.5 cents and 11.6 cents per \$100 valuation, respectively, for a total of 63.1 cents per \$100 valuation. In addition, the tax rate assessed for motor vehicles totaled 49.0 cents per \$100 valuation.

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

Interfund Receivables and Payables

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

Bonds and Related Premiums, Discounts, and Issuance Costs

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from the pension plans' net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

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

Fund Balance Classification

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

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

2. Summary of Significant Accounting Policies, Continued

Fund Balance Classification, Continued

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

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

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

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

Estimates

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

3. Deposits and Investments

Deposits

Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States and of its agencies and instrumentalities; certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity, providing such institutions pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of the State of Kentucky and of its agencies and instrumentalities; securities issued by a state or local government, or any instrumentality or agency thereof in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and shares of mutual funds as more fully described in KRS 66.480.

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

At June 30, 2015, the District's bank balances were collateralized by FDIC Insurance and irrevocable, unconditional, nontransferable letters of credit issued by the Federal Home Loan Bank which expire in October of 2015 and January of 2016.

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

Investments

At June 30, 2015, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years				
		Less Than 1	1-5	6-10	10+	None
U.S Treasury bonds and notes	\$ 1,190,734	\$ -	\$ 1,190,734	\$ -	\$ -	\$ -
U.S. agencies obligations	577,394	-	25,360	342,112	209,922	-
Corporate bonds and notes	-	-	-	-	-	-
U.S. savings bonds	839,560	-	-	839,560	-	-
Bank certificates of deposit	1,369,645	-	620,631	749,014	-	-
Mutual funds – fixed income	908,835	-	-	-	-	908,835
Total investments	\$ 4,886,168	\$ -	\$ 1,836,725	\$ 1,930,686	\$ 209,922	\$ 908,835

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

3. Deposits and Investments, Continued

Custodial Credit Risk

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

Concentration of Credit Risk

The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper, and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2015, the District did not exceed this limit. In addition, amounts invested in any one issuer did not exceed 5% of total investments at fiscal year-end.

Investment Earnings

Investment earnings for the year ended June 30, 2015, consisted of:

Governmental activities:	
Interest and dividend income	\$ 236,806
Net decrease in fair value of investments	(59,739)
Realized gain on sale of investments	(1,712)
Investment expenses	<u>(10,398)</u>
	164,957
Business-type activities:	
Interest and dividend income	<u>10,644</u>
	\$ <u>175,601</u>

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

4. Capital Assets

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,484,809	\$ 768,000	\$ (8,439)	\$ 4,244,370
Construction in progress	3,359,458	7,149,207	(1,975,319)	8,533,346
Total capital assets, not being depreciated	6,844,267	7,917,207	(1,983,758)	12,777,716
Capital assets, being depreciated:				
Land improvements	2,775,280	-	(37,000)	2,738,280
Buildings and improvements	132,687,114	3,607,319	(701,377)	135,593,056
Technology equipment	12,317,601	1,113,225	(213,175)	13,217,651
Vehicles	10,297,228	887,732	(514,580)	10,670,380
General equipment	4,332,188	186,716	(34,769)	4,484,135
Totals capital assets, being depreciated	162,409,411	5,794,992	(1,500,901)	166,703,502
Less accumulated depreciation:				
Land improvements	(1,984,918)	(78,041)	37,000	(2,025,959)
Buildings and improvements	(53,752,047)	(3,307,141)	605,434	(56,453,754)
Technology equipment	(8,855,380)	(1,432,523)	212,419	(10,075,484)
Vehicles	(6,415,008)	(751,949)	514,580	(6,652,377)
General equipment	(3,098,049)	(243,585)	32,771	(3,308,863)
Total accumulated depreciation	(74,105,402)	(5,813,239)	1,402,204	(78,516,437)
Total capital assets, being depreciated, net	88,304,009	(18,247)	(98,697)	88,187,065
Governmental activities:	\$ 95,148,276	\$ 7,898,960	\$ (2,082,455)	\$ 100,964,781
Business-type activities:				
Capital assets, being depreciated:				
Land improvements	\$ 15,452	\$ -	\$ -	\$ 15,452
Technology equipment	364,554	49,988	(12,397)	402,145
Vehicles	18,557	21,222	-	39,779
General equipment	2,869,098	112,370	-	2,981,468
Total capital assets, being depreciated	3,267,661	183,580	(12,397)	3,438,844
Less accumulated depreciation:				
Land improvements	(6,953)	(773)	-	(7,726)
Technology equipment	(300,662)	(27,177)	12,397	(315,442)
Vehicles	(18,557)	(1,769)	-	(20,326)
General equipment	(2,011,177)	(144,896)	-	(2,156,073)
Total accumulated depreciation	(2,337,349)	(174,615)	12,397	(2,499,567)
Business-type activities:	\$ 930,312	\$ 8,965	\$ -	\$ 939,277

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

4. Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,136,506
Support services:	
Student	809
Instructional staff	1,375
District administration	68,213
School administration	781
Business support	1,750
Plant operations and maintenance	1,876,880
Student transportation	<u>726,925</u>
Total depreciation expense	<u>\$ 5,813,239</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 64,660,000	\$ 12,411,000	\$ (4,490,000)	\$ 72,581,000	\$ 4,725,000
Deferred amounts:					
For issuance premiums	35,498	-	(3,888)	31,610	-
For issuance discounts	(912,936)	(198,442)	82,221	(1,029,157)	-
Capital lease obligations	<u>1,759,936</u>	<u>738,278</u>	<u>(1,034,495)</u>	<u>1,463,719</u>	<u>770,967</u>
Total long-term debt	<u>65,542,498</u>	<u>12,950,836</u>	<u>(5,446,162)</u>	<u>73,047,172</u>	<u>5,495,967</u>
KSBIT assessment	<u>146,789</u>	<u>-</u>	<u>(36,697)</u>	<u>110,092</u>	<u>18,349</u>
Compensated absences:					
Accrued sick leave	<u>2,786,109</u>	<u>427,276</u>	<u>(452,312)</u>	<u>2,761,073</u>	<u>434,334</u>
Net pension liability	<u>18,524,900</u>	<u>-</u>	<u>(566,950)</u>	<u>17,957,950</u>	<u>-</u>
Total governmental activities	<u>\$ 87,000,296</u>	<u>\$ 13,378,112</u>	<u>\$ (6,502,121)</u>	<u>\$ 93,876,287</u>	<u>\$ 5,948,650</u>
Business-type activities:					
Net pension liability	<u>\$ 3,269,100</u>	<u>\$ -</u>	<u>\$ (100,050)</u>	<u>\$ 3,169,050</u>	<u>\$ -</u>

The insurance assessment is expected to be liquidated by the General Fund. Compensated absences and the net pension liability are expected to be liquidated by the funds which incurred the related salary and wage costs.

School Building Revenue Bonds

The District is obligated to make lease payments in amounts equal to annual debt service requirements on bonds issued by the Daviess County Fiscal Court, the Daviess County School

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

District Finance Corporation and the Kentucky School Facility Construction Commission (Commission) to construct or renovate school facilities. The Board has an option to purchase the properties at any time by retiring the bonds outstanding. These lease payments are recorded in the Debt Service Funds.

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

A summary of District and Commission bond activity for the year ended June 30, 2015, is as follows:

		<u>District</u>		<u>Commission</u>		<u>Total</u>
Balance, June 30, 2014	\$	64,518,458	\$	141,542	\$	64,660,000
Issued		11,205,309		1,205,691		12,411,000
Defeased		-		-		-
Retired		<u>(4,437,941)</u>		<u>(52,059)</u>		<u>(4,490,000)</u>
Balance, June 30, 2015	\$	<u>71,285,826</u>	\$	<u>1,295,174</u>	\$	<u>72,581,000</u>

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

	Range of Interest Rates	Final Maturity	Balance, June 30, 2015		
			<u>District</u>	<u>Commission</u>	<u>Total</u>
2002A Issue	2.00 – 4.400%	2012	-	-	-
2002B Issue	2.00 – 3.750%	2014	-	-	-
2003 Issue	1.65 – 4.000%	2023	295,000	-	295,000
2004A Issue	2.00 – 3.625%	2015	128,128	11,872	140,000
2004B Issue	2.00 – 3.625%	2016	1,250,000	-	1,250,000
2004C Issue	2.00 – 5.000%	2024	-	-	-
2005A Issue	3.00 – 4.400%	2025	-	-	-
2005B Issue	3.50 – 3.750%	2017	567,389	77,611	645,000
2006 Issue	4.21%	2026	495,000	-	495,000
2007A Issue	4.21%	2027	2,750,000	-	2,750,000
2007B Issue	4.00 – 4.500%	2027	9,055,000	-	9,055,000
2008A Issue	3.00 – 3.400%	2020	1,815,000	-	1,815,000
2008B Issue	3.00 – 3.750%	2028	4,565,000	-	4,565,000
2010A Issue	1.70 – 5.500%	2030	1,910,000	-	1,910,000
2010B Issue	0.80 – 5.500%	2030	10,015,000	-	10,015,000
2011 Issue	0.75 – 2.125%	2023	9,625,000	-	9,625,000
2012 Issue	2.00 – 2.500%	2024	3,720,000	-	3,720,000
2013A Issue	1.50 – 3.25%	2033	1,880,000	-	1,880,000
2013B Issue	1.000 – 2.00%	2026	3,410,000	-	3,410,000
2014 Issue	0.35 – 3.625%	2034	8,600,000	-	8,600,000
2014B&C Issue	3.200 – 3.750%	2035	2,486,000	-	2,486,000
2015A Issue	2.000 – 3.625%	2035	8,719,309	1,205,691	9,925,000
			<u>\$ 71,285,826</u>	<u>\$ 1,295,174</u>	<u>\$ 72,581,000</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and amounts to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are as follows:

Year Ending June 30,	Daviss County School District			Kentucky School Facility Construction Commission			
	Principal	Interest	District Total	Principal	Interest	Commission Total	Total
2016	\$ 4,629,433	\$ 2,345,003	\$ 6,974,436	\$ 95,567	\$ 39,449	\$ 135,016	\$ 7,109,452
2017	4,515,978	2,206,755	6,722,733	87,022	38,982	126,004	6,848,737
2018	4,639,069	2,075,657	6,714,726	46,931	-	46,931	6,761,657
2019	4,759,661	1,942,261	6,701,922	48,339	-	48,339	6,750,261
2020	4,888,211	1,806,603	6,694,814	49,789	-	49,789	6,744,603
2021-							
2025	25,204,733	6,740,253	31,944,986	272,267	-	272,267	32,217,253
2026-							
2030	16,110,816	2,861,819	18,972,635	319,184	-	319,184	19,291,819
2031-							
2035	<u>6,537,925</u>	<u>654,152</u>	<u>7,192,077</u>	<u>376,075</u>	<u>-</u>	<u>376,075</u>	<u>7,568,152</u>
	<u>\$ 71,285,826</u>	<u>\$ 20,632,503</u>	<u>\$ 91,918,329</u>	<u>\$ 1,295,174</u>	<u>\$ 78,431</u>	<u>\$ 1,373,605</u>	<u>\$ 93,291,934</u>

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The amount of interest expense on bonds payable for the year ended June 30, 2015, totaled \$2,620,101, of which \$2,426,194, was paid by the District, \$4,876 was paid by the Commission, and \$189,031 subsidized under the Build America Bond program discussed below.

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2015, \$19,650,000 of bonds outstanding are considered defeased.

In connection with the American Recovery and Reinvestment Act of 2009 (Act), the District issued the Series 2010A and Series 2010B General Obligation Build America Bonds. Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. The interest subsidy for fiscal year 2015 totaled \$189,031, net of a reduction of \$14,696, due to sequestration. Remaining interest subsidies through maturity of the bonds, assuming no further sequestration reductions, are as follows:

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

Year Ending June 30:	
2016	\$ 197,928
2017	191,028
2018	182,392
2019	172,872
2020	162,014
2021-2025	633,972
2026-2030	<u>266,912</u>
	\$ <u>1,807,118</u>

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at June 30, 2015, totaled \$1,397,698, net of accumulated depreciation of \$3,377,863. Amortization of these capital leases included in depreciation expense totaled \$672,874 for the year ended June 30, 2015. The following is a schedule by year of future minimum lease payments under capital lease obligations, including interest, at rates of 1.981% to 11.867%, together with the present value of the future minimum lease payments as of June 30, 2015:

2016	\$ 808,840
2017	515,118
2018	<u>199,634</u>
Total minimum lease payments	1,523,592
Less amount representing interest	<u>59,873</u>
Present value of future minimum lease payments	\$ <u>1,463,719</u>

Interest expense on capital lease obligations for the year ended June 30, 2015, totaled \$53,130.

Compensated Absences

Upon retirement, as defined by the Kentucky Teachers' Retirement System or the County Employees Retirement System, certified and classified employees received an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. This liability totaled \$2,761,073 at June 30, 2015, and is recorded as a long-term liability in the district-wide financial statements.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

5. Long-Term Liabilities, Continued

Compensated Absences, Continued

For governmental fund financial statements, the amount of compensated absences recorded as a liability would be the amount expected to be paid using expendable available resources. These obligations for June 30, 2015, were paid prior to fiscal year end and, therefore, no amount has been accrued in the governmental fund financial statements.

KSBIT Assessment

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

Year Ending June 30:		
2016	\$	18,349
2017		18,349
2018		18,349
2019		18,349
2020		18,348
2021		18,348
		110,092
	\$	110,092

6. Interfund Receivables and Payables

Interfund balances at June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 3,500	\$ -
Special Revenue Fund	6,000	-
District Activity Fund	6,422	-
Activity Funds	-	15,922
	\$ 15,922	\$ 15,922

7. Deferred Outflows/Inflows of Resources

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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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

a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category at June 30, 2015: the deferred charge on refunding reported in the government-wide statement of net position totaling \$1,203,227, and the pension deferred outflows totaling \$2,656,220. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension deferred outflows are described in Note 9 to the financial statements.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that meet these criteria. The first item, which arises only under a modified accrual basis of accounting, is General Fund delinquent property taxes totaling \$216,414 at June 30, 2015. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The second item, which arises under the full accrual basis of accounting, is the pension deferred inflows totaling \$2,358,000, as described in Note 9 to the financial statements.

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

Unearned revenue in the fund and government-wide financial statements at June 30, 2015, was as follow:

Governmental activities:		
General Fund:		
Unearned contract revenue	\$	111,700
Special Revenue Fund:		
Unearned grant revenue		<u>1,593,334</u>
	\$	<u>1,705,034</u>
Business-type activities:		
Food Service Fund:		
Prepaid meal charges	\$	86,042
After School Fund:		
Prepaid fees		<u>6,611</u>
		<u>92,653</u>
	\$	<u>1,797,687</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

8. Leases

The Daviess County School District leases equipment under cancelable operating leases. Commitments under operating lease agreements described above provide for minimum future rental payments as of June 30, 2015, as follows:

Year ending June 30:	
2016	\$ 118,948
2017	84,470
2018	50,757
2019	<u>14,052</u>
Total minimum rentals	\$ <u>268,227</u>

Rental expense for operating leases, including contingent rentals on a per copy basis of \$138,758 totaled \$262,019 for the year ended June 30, 2015.

9. Pension Plans

KENTUCKY TEACHERS RETIREMENT SYSTEM

Plan Description

Teaching-certified employees of the District are provided with pensions through the Teachers' Retirement System of the State of Kentucky, commonly known as the Kentucky Teachers Retirement System (KTRS) — a cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Kentucky (State). Kentucky Revised Statutes Chapter 161 grants the authority to establish and amend the benefit terms to the KTRS Board of Trustees (KTRS Board). KTRS issues a publicly available financial report that can be obtained at www.ktrs.ky.gov.

Benefits Provided

For Members Before July 1, 2008:

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

1. Attain age 55 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service.

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Benefits Provided, Continued

service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation.

The final average salary is the member's 5 highest annual salaries, except members at least age 55 with 27 or more years of service may use their 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 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 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) 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) 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) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries, except members at least age 55 with 27 or more years of service may use their 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

KTRS provides post-employment medical benefits to retirees as fully described in the publicly available financial report which can be accessed at the internet address noted above. KTRS also provides disability benefits for vested members at the rate of 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.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Other Benefits, Continued

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly of the Commonwealth of Kentucky.

Contributions

Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 12.105% of their salaries to KTRS. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 15.355% of creditable compensation. Kentucky Revised Statutes require the State to contribute 100% of school districts' contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The member and State contribution rates disclosed above include 2.25% to fund medical and life insurance plans. In addition, school districts are required to contribute 2.25% of creditable compensation to the insurance plans, which totaled \$1,024,603 for the District for the year ended June 30, 2015.

School districts are required to reimburse the State for KTRS contributions made by the State for members whose positions are federally funded. These reimbursements, which are charged by the District to the respective federal programs, totaled \$491,909 for the year ended June 30, 2015.

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

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District's contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to KTRS.

The portion of the KTRS net pension liability that was associated with the District recognized at June 30, 2015, was as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>318,464,968</u>
Total	<u>\$ 318,464,968</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

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

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 June 30, 2013. The net pension liability associated with the District 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 proportion of the KTRS net pension liability associated with the District was 1.5498%.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue of \$15,605,432 for contributions provided by the State.

Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.0 to 8.2%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one 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, to 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Actuarial Assumptions, Continued

<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%

Discount Rate

The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rates and that State 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 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 as 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 GASBS No. 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

Plan Fiduciary Net Position

Detailed information about the KTRS fiduciary net position is available in the publicly available financial report.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Payables to the Pension Plan

Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports a payable of \$0 for such pension contributions at June 30, 2015. Amounts payable for the insurance plans and the reimbursement for federally-funded employees totaled \$0 and \$0, respectively, at June 30, 2015.

COUNTY EMPLOYEES RETIREMENT SYSTEM

Plan Description

The District contributes to the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS) that covers all regular full-time members employed in nonhazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

CERS provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type/amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 48 months of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 60 months of service credit.

Contributions

Per Kentucky Revised Statutes Section 78.545(33), contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board. Plan members who began participating in CERS prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. For Plan members who

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Contributions, Continued

began participating in CERS on or after September 1, 2008, the contribution rate is 6%. The District's actuarially determined contribution rate for the year ended June 30, 2015, was 17.67% of annual creditable compensation. Contributions to CERS by the District were \$2,656,220 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$21,127,000 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 entities, actuarially determined. At June 30, 2014, the District's proportion was 0.651196%.

The net pension liability is reflected in the financial statements as follows:

Governmental Activities	\$ <u>17,957,950</u>
Business-Type Activities:	
Food Service Fund	2,746,510
After School Fund	<u>422,540</u>
	<u>3,169,050</u>
Total	\$ <u>21,127,000</u>

For the year ended June 30, 2015, the District recognized pension expense of \$1,691,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activities		Total	Entity- Wide Total
	<u>Governmental Activities</u>	<u>Food Service Fund</u>	<u>After School Fund</u>	<u>Total</u>	<u>Entity- Wide Total</u>
Deferred outflows of resources:					
District contributions subsequent to the measurement date	\$ <u>2,257,787</u>	\$ <u>345,309</u>	\$ <u>53,124</u>	\$ <u>398,433</u>	\$ <u>2,656,220</u>
Deferred inflows of resources:					
Net difference between projected and actual earnings on investments	\$ <u>(2,004,300)</u>	\$ <u>(306,540)</u>	\$ <u>(47,160)</u>	\$ <u>(353,700)</u>	\$ <u>(2,358,000)</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

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

The \$2,656,220 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ 589,500
2017	589,500
2018	589,500
2019	589,500
	<u>\$ 2,358,000</u>

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	3.5%
Salary increases	4.5% average, including inflation
Investment rate of return	7.75%, 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 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 rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years. 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 log-normal 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

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Actuarial Assumptions, Continued

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 cover a longer time frame. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<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%	10.5%
Private equity	7%	11.25%
Real estate	5%	7%
Core US fixed income	10%	5.25%
High-yield US fixed income	5%	7.25%
Non US fixed income	5%	5.5%
Commodities	5%	7.75%
TIPS	5%	5%
Cash	1%	3.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29-year amortization period of the unfunded actuarial accrued liability. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected 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%, as well as what the District's proportionate share of the net

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

9. Pension Plans, Continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate, Continued

pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	6.75%	\$27,802,000
Current discount rate	7.75%	\$21,127,000
1% increase	8.75%	\$15,230,000

Plan Fiduciary Net Position

Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 30, 2015, the District reported a payable as follows for the outstanding amount of contributions due to CERS for the year:

Governmental Activities	\$	589,827
Business-Type Activities:		
Food Service Fund		1,364
After School Fund		-
		1,364
Total	\$	591,191

10. On-Behalf Payments

Payments are made by the Commonwealth of Kentucky for various purposes on behalf of the District. These on-behalf payments are budgeted and recorded as revenue and expense in the governmental funds of the District, and are comprised of the following:

KTRS contributions	\$	7,504,722
Health insurance		10,146,661
Flex spending		989,722
State life insurance		20,524
Technology		117,698
	\$	18,779,327

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

11. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2015, is as follows:

	Major Governmental Funds			Nonmajor Governmental Funds			Total
	General Fund	Special Revenue Fund	Construction Fund	District Activity Fund	FSPK Building Fund	Total Nonmajor Governmental Funds	
Fund balances:							
Nonspendable:							
Inventory	\$ 284,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,325
Restricted for:							
Future capital needs	-	-	621,291	-	1,625,876	1,625,876	2,247,167
Other	-	-	7,965,137	62,105	-	62,105	8,027,242
Technology	-	102,438	-	-	-	-	102,438
	<u>-</u>	<u>102,438</u>	<u>8,586,428</u>	<u>62,105</u>	<u>1,625,876</u>	<u>1,687,981</u>	<u>10,376,847</u>
Committed:							
Site-based carryforward	217,036	-	-	-	-	-	217,036
Assigned:							
Future construction project	1,006,957	-	-	-	-	-	1,006,957
Purchase obligations	14,904	29,879	-	-	-	-	44,783
	<u>1,021,861</u>	<u>29,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,051,740</u>
Unassigned	13,716,252	(29,879)	-	-	-	-	13,686,373
Total fund balances	\$ 15,239,474	\$ 102,438	\$ 8,586,428	\$ 62,105	\$ 1,625,876	\$ 1,687,981	\$ 25,616,321

The District has \$8,009,920 of encumbrances of operating funds in major and nonmajor funds at June 30, 2015, rolled over into the next fiscal year.

12. Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfers in:				Total
	Major Governmental Funds			Nonmajor Governmental Fund	
	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	
<u>Transfers out:</u>					
Major Governmental Fund:					
General Fund	\$ -	\$ 839,712	\$ -	\$ -	\$ 839,712
Nonmajor Governmental Funds:					
SEEK Capital Outlay Fund	1,006,957	-	-	-	1,006,957
FSPK Building Fund	258,043	-	778,603	6,400,476	7,437,122
					<u>8,444,079</u>
Major Enterprise Fund:					
Food Service Fund	79,891	-	-	-	79,891
	<u>\$ 1,344,891</u>	<u>\$ 839,712</u>	<u>\$ 778,603</u>	<u>\$ 6,400,476</u>	<u>\$ 9,363,682</u>

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

12. Transfers, Continued

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

During fiscal year 2015, capital assets totaling \$19,942 were transferred from governmental activities capital assets to the Food Service Fund. This transaction is reflected as a capital contribution in the Food Service Fund, but as a transfer in the entity-wide financial statements as follows:

Transfers out per Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Assets	\$ (79,891)
Capital contribution	<u>19,942</u>
Net transfers in per Statement of Activities, Business-Type Activities	<u>\$ 59,949</u>

13. Risk Management

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

14. Contingencies

The District receives funding from Federal, state and local government agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

15. Commitments

During fiscal year 2015, the District entered into construction contracts totaling \$12,416,087 for various facility improvements. Remaining commitments under these contracts totaled \$7,034,765 at June 30, 2015, of which \$456,054 was included in accounts payable in the Construction Fund.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

16. Impact of Recently Issued Accounting Principles

In fiscal year 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASBS No. 68), which amends or supersedes the accounting and financial reporting guidance for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts. The objective is to improve accounting and financial reporting for pensions by state and local governments.

Under GASBS No. 68, the liability to be recognized by participating employers is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer result primarily from changes in the components of the net pension liability, as detailed in Note 9 to financial statements.

In the financial statements, the implementation of GASBS No. 68 resulted in a reduction of beginning net position, as reflected below:

	Governmental Activities	Business-Type Activities			Entity-Wide Total
		Food Service Fund	After School Fund	Total	
Net position, June 30, 2014, as previously reported	\$ 48,750,710	\$ 2,744,698	\$ 557,497	\$ 3,302,195	\$ 52,052,905
Restatement	<u>(18,524,900)</u>	<u>(2,833,220)</u>	<u>(435,880)</u>	<u>(3,269,100)</u>	<u>(21,794,000)</u>
Net position, June 30, 2014, restated	<u>\$ 30,225,810</u>	<u>\$ (88,522)</u>	<u>\$ 121,617</u>	<u>\$ 33,095</u>	<u>\$ 30,258,905</u>

DAVIESS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property taxes	\$ 25,680,074	\$ 25,824,474	\$ 26,214,348	\$ 389,874
Utility taxes	3,900,000	4,188,500	4,419,326	230,826
Tuition and fees	90,000	87,100	87,146	46
Earnings on investments	250,000	130,000	130,949	949
Other local revenue	645,500	562,550	522,572	(39,978)
State aid	55,244,828	56,324,436	57,794,604	1,470,168
Federal aid	180,000	233,000	454,521	221,521
Total revenues	85,990,402	87,350,060	89,623,466	2,273,406
Expenditures:				
Instruction	59,341,805	57,729,928	58,203,078	(473,150)
Support services:				
Student	3,003,417	3,486,589	3,198,707	287,882
Instructional staff	3,439,704	3,517,328	3,312,307	205,021
District administration	10,165,125	11,360,585	848,117	10,512,468
School administration	6,821,417	7,109,773	6,891,032	218,741
Business	1,815,585	2,172,512	1,952,013	220,499
Plant operation and maintenance	7,377,456	9,003,334	7,692,264	1,311,070
Student transportation	7,726,889	7,677,375	7,243,991	433,384
Community services	-	-	-	-
Building renovations / additions	-	-	-	-
Total expenditures	99,691,398	102,057,424	89,341,509	12,715,915
Excess (deficiency) of revenues over expenditures	(13,700,996)	(14,707,364)	281,957	14,989,321
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	34,000	34,305	305
Proceeds from issuance of capital leases	-	-	738,278	738,278
Operating transfers in	105,260	1,344,891	1,344,891	-
Operating transfers out	(99,019)	(351,282)	(839,712)	(488,430)
Total other financing sources (uses)	21,241	1,027,609	1,277,762	250,153
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	(13,679,755)	(13,679,755)	1,559,719	15,239,474
Fund balance, June 30, 2014	13,679,755	13,679,755	13,679,755	-
Fund balance, June 30, 2015	\$ -	\$ -	\$ 15,239,474	\$ 15,239,474

DAVISS COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Other local revenue	\$ 378,475	\$ 394,821	\$ 411,437	\$ 16,616
State aid	4,179,979	4,598,272	4,242,013	(356,259)
Federal aid	5,343,659	5,825,004	5,867,171	42,167
Total revenues	9,902,113	10,818,097	10,520,621	(297,476)
Expenditures:				
Instruction	7,849,682	8,730,498	9,143,750	(413,252)
Support services:				
Student	650,253	661,712	700,458	(38,746)
Instructional staff	86,034	253,964	220,793	33,171
School administration	9,032	26,353	10,975	15,378
Plant operation and maintenance	5,419	5,419	1,496	3,923
Student transportation	460,550	468,266	334,224	134,042
Community services	909,902	911,597	890,000	21,597
Total expenditures	9,970,872	11,057,809	11,301,696	(243,887)
Excess (deficiency) of revenues over expenditures	(68,759)	(239,712)	(781,075)	(541,363)
Other financing sources (uses):				
Operating transfers in	99,019	239,712	839,712	600,000
Operating transfers out	(30,260)	-	-	-
Total other financing sources (uses)	68,759	239,712	839,712	600,000
Excess (deficit) of revenue and other financing sources over expenditures and other financing sources (uses)	-	-	58,637	58,637
Fund balance, June 30, 2014	43,801	43,801	43,801	-
Fund balance, June 30, 2015	\$ 43,801	\$ 43,801	\$ 102,438	\$ 58,637

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM

Last 10 Fiscal Years *

	<u>2015</u>
District's proportion of the plan total net pension liability	1.5498%
District's proportionate share of the net pension liability associated with the District	\$ -
State's proportionate share of the net pension liability associated with the District	<u>318,464,968</u>
Total	<u>\$ 318,464,968</u>
District's covered-employee payroll	\$ 48,569,007
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* Presented for those years for which the information is available.

DAVISS COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM

Last 10 Fiscal Years *

2015

District's contractually required contributions	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 48,741,736
Contributions as a percentage of covered-employee payroll	0.00%

* Presented for those years for which the information is available.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS RETIREMENT SYSTEM

Year Ended June 30, 2015

Changes of Benefit Terms

None

Changes of Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.27%) to the current measurement date (4.35%), resulting in a change in the discount rate from 5.16% to 5.23%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years *

2015

District's proportion of the net pension liability	0.651196%
District's proportionate share of the net pension liability	\$ 21,127,000
District's covered-employee payroll	\$ 14,894,473
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.84%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* Presented for those years for which the information is available.

DAVISS COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years *

	<u>2015</u>
Contractually required contributions	\$ 2,656,220
Contributions in relation to the contractually required contributions	<u>(2,656,220)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 15,032,371
Contributions as a percentage of covered-employee payroll	17.67%

* Presented for those years for which the information is available.

DAVISS COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30, 2015

Changes of Benefit Terms

None

Changes of Assumptions

None

DAVISS COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue	Capital Projects			Total Nonmajor Governmental Funds
	District Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 55,683	\$ -	\$ 1,625,876	\$ -	\$ 1,681,559
Accounts receivable:					
Other	-	-	-	-	-
Due from other funds	6,422	-	-	-	6,422
Total assets	<u>\$ 62,105</u>	<u>\$ -</u>	<u>\$ 1,625,876</u>	<u>\$ -</u>	<u>\$ 1,687,981</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted	62,105	-	1,625,876	-	1,687,981
Assigned	-	-	-	-	-
Total fund balances	<u>62,105</u>	<u>-</u>	<u>1,625,876</u>	<u>-</u>	<u>1,687,981</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,105</u>	<u>\$ -</u>	<u>\$ 1,625,876</u>	<u>\$ -</u>	<u>\$ 1,687,981</u>

DAVISS COUNTY SCHOOL DISTRICT

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	Special Revenue	Capital Projects			Total Nonmajor Governmental Funds
	District Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	
Revenues:					
Property taxes	\$ -	\$ -	\$ 4,996,900	\$ -	\$ 4,996,900
Earnings on investments	-	-	5,000	-	5,000
Other local revenue	213,712	-	-	-	213,712
State aid	-	1,006,957	2,545,207	56,935	3,609,099
Federal aid	-	-	-	189,253	189,253
Total revenues	213,712	1,006,957	7,547,107	246,188	9,013,964
Expenditures:					
Instruction	100,571	-	-	-	100,571
Support services:					
Student	-	-	-	-	-
Instructional staff	99,764	-	-	-	99,764
District administration	-	-	-	-	-
School administration	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	-	-	-
Community services	-	-	-	-	-
New building construction	-	-	3,500	-	3,500
Building renovations / additions	-	-	-	-	-
Debt service:					
Principal	-	-	-	4,490,000	4,490,000
Interest	-	-	2,250	2,156,664	2,158,914
Bond issuance costs	-	-	-	-	-
Total expenditures	200,335	-	5,750	6,646,664	6,852,749
Excess (deficiency) of revenues over expenditures	13,377	1,006,957	7,541,357	(6,400,476)	2,161,215
Other financing sources (uses):					
Refunding bonds issued	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Proceeds from the issuance of bonds	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Operating transfers in	-	-	-	6,400,476	6,400,476
Operating transfers out	-	(1,006,957)	(7,437,122)	-	(8,444,079)
Total other financing sources (uses)	-	(1,006,957)	(7,437,122)	6,400,476	(2,043,603)
Net change in fund balances	13,377	-	104,235	-	117,612
Fund balances, June 30, 2014	48,728	-	1,521,641	-	1,570,369
Fund balances, June 30, 2015	\$ 62,105	\$ -	\$ 1,625,876	\$ -	\$ 1,687,981

DAVISS COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
Apollo High	\$ 368,905	\$ 944,509	\$ 948,964	\$ 364,450	\$ 4,002	\$ 18,817	\$ 26,773	\$ 360,496
Audubon Elementary	66,181	91,219	93,072	64,328	-	-	-	64,328
Beacon Central	11,493	9,000	9,401	11,092	-	-	-	11,092
Burns Elementary	35,548	92,833	89,369	39,012	-	179	-	39,191
Burns Middle	97,618	278,054	256,819	118,853	-	1,267	-	120,120
College View Middle	104,888	255,891	241,735	119,044	-	38	-	119,082
Country Heights Elementary	24,180	82,714	87,913	18,981	-	-	-	18,981
Daviess County High	293,969	1,279,966	1,250,247	323,688	2,174	3,286	7,759	321,389
Daviess County Middle	75,454	223,430	241,762	57,122	-	-	-	57,122
Deer Park Elementary	74,378	91,255	102,466	63,167	-	-	-	63,167
East View Elementary	31,519	90,520	78,468	43,571	-	645	-	44,216
Highland Elementary	70,819	176,845	171,715	75,949	-	2,083	-	78,032
Meadow Lands Elementary	29,639	83,129	84,348	28,420	-	-	-	28,420
Sorgho Elementary	47,558	98,815	106,069	40,304	-	-	-	40,304
Southern Oaks Elementary	30,506	70,282	68,391	32,397	-	-	-	32,397
Tamarack Elementary	40,421	114,893	105,056	50,258	-	388	-	50,646
West Louisville Elementary	31,486	33,647	36,158	28,975	-	70	-	29,045
Whitesville Elementary	25,999	83,186	81,460	27,725	-	92	-	27,817
	<u>\$ 1,460,561</u>	<u>\$ 4,100,188</u>	<u>\$ 4,053,413</u>	<u>\$ 1,507,336</u>	<u>\$ 6,176</u>	<u>\$ 26,865</u>	<u>\$ 34,532</u>	<u>\$ 1,505,845</u>

See Notes to Financial Statements

DAVISS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
GENERAL FUND	\$ 1,381	\$ 183	\$ 560	\$ -	\$ 1,004	\$ -	\$ -	\$ -	\$ 1,004
OFFICE	10	100	13,722	14,665	1,053	-	-	-	1,053
STIPEND TRF ACCOUNT	-	-	-	-	-	-	-	-	-
AHS ALUMNI	10	-	-	-	10	-	-	-	10
DCPS FOUNDATION GRANTS	102	-	-	-	102	-	-	-	102
AP EXAMS	3,976	28,551	28,296	(125)	4,106	-	-	-	4,106
PSAT TESTS	-	-	-	-	-	-	-	-	-
BANQUET	1,462	-	-	(1,462)	-	-	-	-	-
BAND UNIFORMS	107	-	1	-	106	-	-	106	-
GRADUATION	-	1,396	14,696	13,300	-	-	-	-	-
PROM	-	12,249	8,062	75	4,262	-	-	-	4,262
COMPUTER	1,251	-	-	-	1,251	-	-	-	1,251
CONTINGENCY	22,526	72	11,153	10,760	22,205	-	-	2,591	19,614
FUNDRAISER	-	17,225	6,421	(10,804)	-	-	-	-	-
GUIDANCE	5,385	2,895	3,373	(28)	4,879	-	-	-	4,879
INTERNATIONAL BACCAL.	-	-	-	-	-	-	-	-	-
INTRAMURAL	163	309	200	(84)	188	-	-	-	188
INTEREST	-	2,640	-	(2,640)	-	-	-	-	-
LOCKS	75	55	-	-	130	-	-	-	130
NECESSITIES	236	-	-	-	236	-	-	-	236
OVER YOUR HEAD	1,174	372	1,043	112	615	-	1,661	-	2,276
PROJECT GRADUATION	494	4,185	4,278	-	401	-	-	-	401
RENAISSANCE	336	828	2,114	950	-	-	-	-	-
CHALLENGER	2,881	-	-	568	3,449	-	-	-	3,449
SPECIAL TOPICS	-	-	-	-	-	-	-	-	-
STUDENT EXAM FEE REIMB	-	10,770	10,770	-	-	-	-	-	-
VIDEO YEARBOOK	1,980	1,240	1,359	-	1,861	-	-	-	1,861
CAREER OPTIONS	-	-	-	-	-	-	-	-	-
YEARBOOK	26,009	14,332	15,324	199	25,216	-	-	13,000	12,216
STUDENT ASSISTANCE	2,998	3,412	1,964	-	4,446	-	-	-	4,446
AMP	-	-	-	-	-	-	-	-	-
WEIGHT ROOM	-	-	-	-	-	-	-	-	-
TEACHER OF THE YEAR AWA	-	2,000	850	-	1,150	-	-	-	1,150
STUDENT VENDING	3,016	667	1,069	-	2,614	38	-	-	2,652
ADULT VENDING	472	1,426	2,095	197	-	31	-	-	31
ADULT SCRIP	-	-	-	-	-	-	-	-	-
ATHLETIC DIRECTOR	963	-	533	-	430	-	-	-	430
AA APOLLO ABA BASKETBAL	-	19,222	16,091	(2,837)	294	-	-	-	294
BOYS BASKETBALL	-	12,159	31,808	19,649	-	-	-	-	-
ATHLETIC BOOSTER	3,394	97,767	62,489	(30,525)	8,147	-	2,972	-	11,119
ATHLETIC BUDGET	-	-	-	-	-	-	-	-	-
BASEBALL LT	16,622	25,354	-	(28,000)	13,976	-	-	6,422	7,554
BASEBALL	156	3,494	31,611	29,310	1,349	1,824	-	-	3,173
BOYS CROSS COUNTRY	1,296	9,718	12,611	1,792	195	-	-	-	195
BOYS C C L T	849	4,820	-	(400)	5,269	-	-	-	5,269
GIRLS CROSS COUNTRY	2,607	599	2,855	1,523	1,874	-	-	-	1,874
GIRLS C C L T	467	-	1	-	466	-	-	-	466
CHEERLEADERS	-	14,605	17,454	4,844	1,995	-	-	-	1,995
E-GALS	9,603	14,216	18,250	-	5,569	-	-	-	5,569
EAGLETTES	7,548	16,503	21,422	2,006	4,635	-	-	-	4,635
FOOTBALL	444	11,875	28,423	19,885	3,781	-	-	-	3,781

DAVISS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
FIELD MAINTENANCE	-	-	-	-	-	-	-	-	-
GENERAL ATHLETICS	23,927	7,821	19,460	2,917	15,205	-	-	-	15,205
GIRLS BASKETBALL	4	10,003	19,208	10,264	1,063	330	-	-	1,393
GIRLS GOLF	704	440	980	1,481	1,645	-	-	-	1,645
BOYS GOLF	790	817	1,698	1,508	1,417	-	-	-	1,417
GATE	-	74,500	17,312	(57,188)	-	-	-	-	-
GIRLS TRACK	1,772	78	882	2,039	3,007	-	-	-	3,007
GIRLS TRACK L T	-	-	-	-	-	-	-	-	-
SOFTBALL	908	26,140	25,501	3,065	4,612	-	-	-	4,612
SOFTBALL L T	1,184	1	-	-	1,185	-	-	-	1,185
GIRLS SOCCER	2,141	10,598	10,907	2,607	4,439	-	-	-	4,439
GIRLS SOCCER L T	85	-	-	-	85	-	-	-	85
BOYS SOCCER	1,652	8,640	10,582	2,973	2,683	-	-	1,738	945
BOYS SOCCER L T	-	-	-	-	-	-	-	-	-
SPORTS PROGRAMS SALES	-	114	-	(114)	-	-	-	-	-
AA SPORTS PROG. ADS	-	1,615	640	(975)	-	-	-	-	-
SUPPLY STORE	1,000	11,375	13,489	1,669	555	-	14,184	-	14,739
AA SPRING SEASON TOURNEA	-	-	-	-	-	-	-	-	-
SWIM TEAM G&B	1,132	6,146	7,160	2,037	2,155	-	-	-	2,155
TENNIS B&G	4,363	4,459	6,625	1,513	3,710	-	-	-	3,710
DISTRICT TOURNEY GIRLS	-	2,726	2,060	(666)	-	-	-	-	-
DISTRICT TOURNEY BOYS	-	-	-	-	-	-	-	-	-
BOYS TRACK	1,307	288	2,828	2,215	982	-	-	-	982
HOLIDAY TOURNAMENT	-	2,985	3,125	140	-	-	-	-	-
ATHLETIC VENDING	-	730	-	(730)	-	77	-	-	77
BOYS TRACK L T	-	-	-	-	-	-	-	-	-
VOLLEYBALL	7,238	20,691	23,431	6,501	10,999	-	-	-	10,999
WRESTLING	7,313	560	2,121	3,150	8,902	-	-	-	8,902
AA V SLAMDOWN TOURNEY	-	6,480	4,145	(2,335)	-	-	-	-	-
REGIONAL TOURNEY - GIRLS	-	-	-	-	-	-	-	-	-
SEMI-STATE TOURNEY	-	-	-	-	-	-	-	-	-
ATHLETIC UNIFORM ACCOUN	-	10	-	4,000	4,010	-	-	-	4,010
AA REGION TOURNEY BOYS	-	9,351	6,970	(2,381)	-	-	-	-	-
AA REGION TOURNEY GIRLS	-	20,588	22,927	2,339	-	-	-	-	-
AATUESDAY 4 TEAMS	-	-	-	-	-	-	-	-	-
AA BORDER BOWL FB	-	-	-	-	-	-	-	-	-
EAGLE CUP SOCCER	-	-	-	-	-	-	-	-	-
TRACK CITY-COUNTY	-	-	-	-	-	-	-	-	-
AA BOWLING	-	1,350	765	571	1,156	-	-	-	1,156
ART CLUB	88	-	-	-	88	-	-	-	88
BETA	600	10,997	11,243	473	827	-	-	-	827
CHESS	-	40	-	(40)	-	-	-	-	-
DANCE BLUE	-	-	-	-	-	-	-	-	-
DRAMA	3,884	4,826	5,053	(1,262)	2,395	-	-	-	2,395
COUNCIL FOR EX CHILD	3,813	2,950	2,641	150	4,272	-	-	-	4,272
FFA ALUMNI	3,272	2,551	1,609	(4,214)	-	-	-	-	-
FBLA	727	7,420	8,412	265	-	-	-	-	-
FCA	53	-	-	-	53	-	-	-	53
FUTURE ED OF AMERICA	193	-	-	-	193	-	-	-	193
FFA	3,009	35,283	43,017	4,725	-	892	-	-	892
FCCLA	142	-	-	-	142	-	-	-	142
FILM CLUB	-	-	-	-	-	-	-	-	-

DAVIESS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
STRATEGIC GAMING	577	22	-	-	599	-	-	-	599
MUSICAL CHORUS DRAMA	1,032	8,400	10,914	1,648	166	-	-	-	166
THE SPIAN SOCIETY	1,266	3,600	4,928	62	-	-	-	-	-
HABITAT	20	149	-	-	169	-	-	-	169
AYL ACADEMY YOUNG LEAD	284	-	-	-	284	-	-	-	284
ACADEMIC TEAM	-	52	350	298	-	-	-	-	-
SPANISH CLUB	341	96	-	-	437	-	-	-	437
LATIN DANCE CLUB	164	-	-	-	164	-	-	-	164
KEY CLUB	2,647	-	198	-	2,449	-	-	-	2,449
NATIONAL HONOR SOCIETY	1,681	940	631	-	1,990	-	-	-	1,990
PTSO	87	420	500	-	7	-	-	-	7
AFJROTC BOOSTER	-	-	-	-	-	-	-	-	-
STUDENT COUNCIL	8,817	8,013	5,995	(761)	10,074	-	-	-	10,074
ST-AND	301	-	-	-	301	-	-	-	301
APOLLO CLEAN TEAM	-	-	-	-	-	-	-	-	-
PROJECT 88 FITNESS	-	200	147	300	353	-	-	-	353
SPIRIT CLUB	-	4,400	4,700	300	-	-	-	-	-
KYA	-	-	-	-	-	-	-	-	-
YOUNG DEMOCRATS	-	-	-	-	-	-	-	-	-
YOUNG REPUBLICANS	68	-	-	-	68	-	-	-	68
TSA	2,377	2,784	899	-	4,262	-	-	-	4,262
STLP	639	896	1,259	5	281	-	-	-	281
AFJROTC ACTIVITIES	7,752	22,036	23,095	390	7,092	810	-	-	7,902
AFJROTC ORG. & MAINT	-	-	-	-	-	-	-	-	-
AFJROTC RFA PRIOR AY06	-	-	-	-	-	-	-	-	-
AFJROTC CADET TR LODGING	-	-	-	-	-	-	-	-	-
AFJROTC CADET MEALS	-	-	-	-	-	-	-	-	-
AFJROTC UNIFORM ALLOWAI	-	-	-	-	-	-	-	-	-
AFJROTC SCHOLARSHIP FUNI	100	500	-	-	600	-	-	-	600
ARCHERY CLUB	553	725	2,503	3,775	2,550	-	-	-	2,550
CAREER NTKK POSTER PRIN	64	-	-	-	64	-	-	-	64
STRENGTH & CONDITIONING	-	-	-	28	28	-	-	-	28
WASLS	348	-	-	-	348	-	-	-	348
AG	-	-	10,573	10,573	-	-	-	-	-
ART	805	-	4,229	3,729	305	-	-	-	305
BAND	5,404	49,732	53,158	938	2,916	-	-	2,916	-
BUSINESS	1,132	89	1,210	1,475	1,486	-	-	-	1,486
CHORUS	1,180	4,017	5,966	318	149	-	-	-	149
CAREER NETWORKING (DOTP)	860	-	460	191	591	-	-	-	591
DRIVER ED	-	-	-	-	-	-	-	-	-
ENGLISH	674	350	1,770	1,705	1,069	-	-	-	1,069
FRESHMAN TEAM	-	-	1,500	1,500	-	-	-	-	-
SOPHOMORE TEAM	-	-	2,025	2,025	-	-	-	-	-
JUNIOR TEAM	-	-	5,180	5,180	-	-	-	-	-
FINE ARTS	288	-	44	1,036	1,280	-	-	-	1,280
SENIOR TEAM	-	-	2,340	2,340	-	-	-	-	-
FOREIGN LANGUAGE	2,464	100	2,204	1,354	1,714	-	-	-	1,714
STAMP TEST-WORLD LANG.	-	2,607	64	-	2,543	-	-	-	2,543
FMD SS CHRISTMAS PLAY	456	308	314	(78)	472	-	-	-	472
GREENHOUSE	1,565	7,579	5,364	(3,287)	493	-	-	-	493
CONSUMER SCIENCE	2,410	-	-	(2,110)	-	-	-	-	-
MATH	2,716	40	863	913	2,807	-	-	-	2,807

DAVISS COUNTY SCHOOL DISTRICT

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

APOLLO HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
MIMD HEAD	-	-	-	-	-	-	-	-	-
MIMD BULLINGTON	61	-	-	-	61	-	-	-	61
MIMD DUKE	346	140	660	468	294	-	-	-	294
ORCHESTRA	494	8,415	7,788	523	1,644	-	-	-	1,644
MIMD D. HIGDON	301	-	342	400	359	-	-	-	359
HEALTH PE	3,253	3,560	7,832	2,411	1,392	-	-	-	1,392
MIMD MCINTIRE	-	-	-	-	-	-	-	-	-
AFJROTC-SCHOOL BUDGET	73	-	700	646	19	-	-	-	19
SCIENCE	10,095	-	13,687	7,746	4,154	-	-	-	4,154
MIMD GILBREATH	-	-	-	-	-	-	-	-	-
SPECIAL SERVICES	396	365	691	723	793	-	-	-	793
MIMD ROBERTS	29	-	255	368	142	-	-	-	142
SOCIAL STUDIES	4,256	-	64	1,240	5,432	-	-	-	5,432
GOV'T CLASS DC TRIP	150	2,600	3,407	657	-	-	-	-	-
TECH-ED	-	-	607	836	229	-	-	-	229
LIBRARY COPY MACHINE	1,222	178	1,010	265	655	-	-	-	655
LIBRARY FINES	494	488	704	-	278	-	-	-	278
AUDIO VISUAL	1,066	-	1,038	-	28	-	-	-	28
POSTER PRINTER	1,326	20	-	-	1,346	-	-	-	1,346
STUDENT FEES	-	145,608	64,999	(80,609)	-	-	-	-	-
LOST/DAMAGED BOOKS	-	159	159	-	-	-	-	-	-
BOOK RENTAL	-	-	-	-	-	-	-	-	-
ELEARNING REPAIR FINES	-	9,992	10,042	50	-	-	-	-	-
LAPTOP PURCHASES	-	-	-	-	-	-	-	-	-
CASH DRAWER CHANGE	-	-	-	-	-	-	-	-	-
LATHAM SCHOLARSHIP	3,782	-	1,000	18	2,800	-	-	-	2,800
NUNN SCHOLARSHIP	-	300	300	-	-	-	-	-	-
STEWART FAMILY EAGLE SCI	178	1,000	1,000	1	179	-	-	-	179
COKE SCHOLARSHIP	30,750	1,340	1,500	152	30,742	-	-	-	30,742
PRUDEN SCHOLARSHIP	32,464	500	500	162	32,626	-	-	-	32,626
SATTERLY SCHOLARSHIP	29,267	328	1,000	146	28,741	-	-	-	28,741
JONES SCHOLARSHIP	-	-	-	-	-	-	-	-	-
SOARING EAGLE SCHOLARSH	134	-	-	1	135	-	-	-	135
STEFANIE M. MEMORIAL SCH	1,300	-	-	6	1,306	-	-	-	1,306
MURPHY FAMILY SCHOLARSI	-	500	500	-	-	-	-	-	-
DISTRICT ACTIVITY FUND	-	22,549	22,549	-	-	-	-	-	-
EAGLE HIGH TRUST	7,402	-	7,402	-	-	-	-	-	-
	<u>\$ 368,905</u>	<u>\$ 944,509</u>	<u>\$ 948,904</u>	<u>\$ -</u>	<u>\$ 364,450</u>	<u>\$ 4,002</u>	<u>\$ 18,817</u>	<u>\$ 26,773</u>	<u>\$ 360,496</u>

DAVISS COUNTY SCHOOL DISTRICT

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

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
GENERAL FUND	\$ 11,348	\$ 24,049	\$ 23,528	\$ 6,512	\$ 18,381	\$ -	\$ -	\$ -	\$ 18,381
STUDENT ID'S	126	1,641	746	3	1,024	-	-	-	1,024
OFFICE SUPPLIES	1,993	318	5,181	10,093	7,223	-	-	-	7,223
NURSE OFFICE	-	-	815	815	-	-	-	-	-
JACOB HELWIG FUND	-	-	-	-	-	-	-	-	-
DRIVER ED FEE	-	4,725	2,600	(2,125)	-	-	-	-	-
ACTIVITY FEES	-	243,745	147,090	(96,266)	389	-	-	-	389
LAPTOP	500	635	1,822	687	-	-	-	-	-
MISC. MAINTENANCE SUPP.	1,268	-	1,448	1,500	1,320	-	-	-	1,320
STUDENT FEES/S24	11,086	50	3,841	2,810	10,105	-	-	-	10,105
TEXTBOOKS STATE	-	181	355	174	-	-	-	-	-
SHELTON-WALMART	751	-	62	-	689	-	-	-	689
VENDING	-	1,673	722	-	951	27	-	-	978
FACULTY VENDING	2,102	1,696	3,378	-	420	266	-	-	686
STAFFULTY FUND	338	877	1,215	-	-	-	-	-	-
PICTURE COMMISSION	541	4,890	-	(5,431)	-	-	-	-	-
MAGAZINE	6,731	21,477	20,078	(2,876)	5,254	-	-	-	5,254
NICKEL WAR	5,397	6,830	5,692	(146)	6,389	-	-	-	6,389
ATHLETICS GENERAL	-	78,361	36,004	(42,357)	-	1,756	-	-	1,756
GAME OFFICIALS	-	-	-	-	-	-	-	-	-
ATHLETIC TRAINING	-	-	3,416	3,416	-	-	-	-	-
ATHLETIC BOOSTERS	1,999	56,602	37,087	(19,514)	2,000	-	3,286	-	5,286
BASEBALL SIGNS	-	250	-	-	250	-	-	-	250
BASEBALL	1,109	9,796	12,313	3,859	2,451	-	-	-	2,451
BASEBALL-DISTRICT TOURN	-	4,258	3,119	(1,139)	-	-	-	-	-
BASEBALL TOURNAMENT	-	-	-	-	-	-	-	-	-
BKBALL REGIONAL TOURN	-	-	-	-	-	-	-	-	-
BASKETBALL CAMP GIRLS	-	-	-	-	-	-	-	-	-
BKB TOURNAMENT-GIRLS	224	-	-	1	225	-	-	-	225
BASKETBALL-BOYS	1,885	15,897	20,282	3,711	1,211	-	-	-	1,211
BOYS BKB TOURNAMENT	-	-	-	-	-	-	-	-	-
BASKETBALL-GIRLS	1,992	11,815	19,440	5,813	180	-	-	-	180
BASKETBALL CAMP BOYS	-	-	-	-	-	-	-	-	-
BKB GYM SIGNS	-	-	-	-	-	-	-	-	-
CCTR INVITATIONALS	681	4,151	1,186	85	3,731	-	-	-	3,731
NC BOYS	6,650	5,066	6,169	2,827	8,374	-	-	-	8,374
NC GIRLS	4,026	6,608	6,776	1,675	5,533	-	-	-	5,533
TRACK GIRLS	3,874	322	2,383	3,271	5,084	-	-	-	5,084
BOWLING	665	4,611	3,201	(53)	2,022	-	-	-	2,022
CHEERLEADERS	6,383	55,107	60,963	(304)	223	-	-	-	223
TRACK-BOYS	2,071	331	3,138	3,288	2,552	-	-	-	2,552
FIELD MAINTENANCE	-	-	-	-	-	-	-	-	-

DAVISS COUNTY SCHOOL DISTRICT

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

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
FOOTBALL BOOSTERS	560	14,736	13,192	-	2,104	-	-	-	2,104
FOOTBALL	3	19,589	39,609	20,632	615	-	-	-	615
FOOTBALL PLAYOFF	-	-	-	-	-	-	-	-	-
GOLF TOURNAMENT	-	3,200	1,963	(1,237)	-	-	-	-	-
GOLF BOYS	622	411	4,377	3,344	-	-	-	-	-
GOLF GIRLS	394	600	1,227	1,677	1,444	-	-	-	1,444
INTRAMURAL SPORTS	383	975	952	-	406	-	-	-	406
PANTHERETTES	5,254	67,916	72,819	1,440	1,791	-	-	-	1,791
SOCCER BOYS SUB SECTIONA	-	-	-	-	-	-	-	-	-
SOCCER TOURNAMENT	-	827	1,195	368	-	-	-	-	-
SOCCER BOYS	485	127	5,784	6,291	1,119	-	-	-	1,119
SOCCER TOURN GIRLS	-	3,968	2,610	(1,358)	-	-	-	-	-
SOCCER GIRLS	525	38,492	45,804	6,787	-	-	-	-	-
SOCCER DISTRICT TOURN	-	-	-	-	-	-	-	-	-
SOFTBALL	6,788	8,363	11,364	5,298	9,085	-	-	-	9,085
SOFTBALL TOURNEY	-	1,530	330	(1,200)	-	-	-	-	-
BASEBALL FLORIDA	-	4,396	7,653	3,257	-	-	-	-	-
SOCCER SIGNS-BOYS	2,153	17,802	2,391	(1,984)	15,580	-	-	-	15,580
STATE TOURNAMENT EXP.	-	619	10,916	10,297	-	-	-	-	-
TEAM LAUREN.CANCER AWA	2,545	9,268	4,468	(412)	6,933	-	-	-	6,933
SWIMMING	1,788	465	2,894	1,702	1,061	-	-	-	1,061
SOFTBALL DISTRICT TOURN	-	-	-	-	-	-	-	-	-
TENNIS BOYS	906	130	672	910	1,274	-	-	-	1,274
TENNIS GIRLS	208	1,229	1,869	908	476	-	-	-	476
VOLLEYBALL	2,690	6,407	11,543	2,446	-	125	-	-	125
VOLLEYBALL TOURNAMENT	-	-	-	-	-	-	-	-	-
SWIM-CITY-COUNTY MEET	-	-	-	-	-	-	-	-	-
WRESTLING	60	6,950	9,172	2,162	-	-	-	-	-
WRESTLING TOURN.	-	-	-	-	-	-	-	-	-
CROSS COUNTRY REGIONALS	-	2,022	2,351	329	-	-	-	-	-
MICHAEL CABLE FUND	3,059	-	132	-	2,927	-	-	-	2,927
REGIONAL GOLF	-	1,900	1,965	65	-	-	-	-	-
VOLLEYBALL DISTRICT	-	3,322	2,734	(588)	-	-	-	-	-
ANIME CLUB	73	-	-	-	73	-	-	-	73
ART CLUB	153	782	245	(275)	415	-	-	-	415
BLTA CLUB	799	1,547	1,403	-	943	-	-	-	943
CHRISTIAN STU. UNION	-	-	-	-	-	-	-	-	-
CHESS CLUB	229	-	147	-	82	-	-	-	82
ROBOTICS	1,732	799	950	-	1,581	-	-	-	1,581
DRAMA CLUB	3,229	1,914	2,257	-	2,886	-	-	-	2,886
DRAMA/MUSIC STORAGE	299	360	570	-	89	-	-	-	89
FBLA	2,886	780	3,729	950	887	-	-	63	824
FCCLA	1,020	258	346	-	932	-	-	-	932

DAVISS COUNTY SCHOOL DISTRICT

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

DAVISS COUNTY HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
FELLOW CHRISTIAN ATHLETI	-	25	-	(25)	-	-	-	-	-
FFA	3,993	67,019	69,338	(1,147)	527	-	-	-	527
FRENCH CLUB	51	-	51	-	-	-	-	-	-
CEC	425	1,197	879	(37)	706	-	-	-	706
FUTURE EDUCATORS	31	132	156	-	7	-	-	-	7
HABITAT FOR HUMANITY	390	245	290	-	345	-	-	-	345
KEY CLUB	234	2,033	1,924	(324)	19	-	-	-	19
JR CLASSICAL LEAGUE	175	2,067	2,373	131	-	-	-	-	-
LIFESAVERS CLUB	108	-	64	-	44	-	-	-	44
NATIONAL HONOR SOCIETY	895	3,909	2,960	(952)	892	-	-	-	892
ONE CLUB	10	-	-	(10)	-	-	-	-	-
PEP CLUB	1,043	3,272	2,863	18	1,470	-	-	-	1,470
QUILL & SCROLL CLUB	175	-	-	(1)	174	-	-	-	174
QUIZ BOWL RECYCLE CLUB	284	-	58	-	226	-	-	-	226
SPANISH CLUB	389	560	259	-	690	-	-	-	690
SPANISH NAT HONOR SOCIET	745	819	934	-	630	-	-	-	630
STUDENT COUNCIL	939	5,402	5,345	(5)	991	-	-	-	991
YOUNG DEMOCRATS	83	-	-	-	83	-	-	-	83
STLP	192	76	17	-	251	-	-	-	251
TEENAGE REPUBLICANS	143	91	-	(91)	143	-	-	-	143
CO-ED Y CLUB	269	30,226	28,913	-	1,582	-	-	-	1,582
AG MECHANICS	1,996	1,383	7,683	4,880	576	-	-	-	576
AG IND TECH ACADEMY	718	-	3,750	3,075	43	-	-	-	43
BUSINESS ED ACADEMY	2,824	-	483	1,267	3,608	-	-	-	3,608
MULTIMEDIA PUBLISHING	1,527	1,230	746	-	2,011	-	-	-	2,011
CAREER PREP	134	-	170	36	-	-	-	-	-
FINE ARTS.MASS COMM.	12,318	5	20,690	19,461	11,094	-	-	-	11,094
GUIDANCE	4,925	51,750	50,067	(89)	6,519	-	-	-	6,519
HEALTH WELLNESS ACADEM	527	9,644	14,177	6,706	2,700	-	-	-	2,700
HORTICULTURE	4,859	9,124	9,911	1,367	5,439	-	-	-	5,439
FAMILY & CONSUMER SCI	1,374	-	2,031	2,079	1,422	-	-	-	1,422
LIBERAL ARTS ACADEMY	2,356	5,110	5,218	(123)	2,125	-	-	-	2,125
LIBRARY	6,786	65	4,185	186	2,852	-	-	-	2,852
SCIENCE ACADEMY	1,779	136	7,417	6,335	833	-	-	-	833
MATH ACADEMY	620	479	220	172	1,051	-	-	-	1,051
GILBREATH MD	-	978	903	(24)	51	-	-	-	51
JRROTC UNIT SUPPORT MAIN	643	1,813	1,999	1,115	1,572	-	-	-	1,572
JRROTC BOOSTERS	9,951	15,240	17,551	(919)	6,721	-	-	896	5,825
ALLEN MMD	60	1,089	1,127	-	22	-	-	-	22
SPECIAL ED	-	50	-	(50)	-	-	-	-	-
ACADEMIC TEAM	402	2,577	4,608	2,000	371	-	-	-	371
BAND BOOSTERS	7,212	163,896	147,236	(8,370)	15,502	-	-	6,000	9,502
BAND WINTERGUARD	-	-	-	-	-	-	-	-	-

DAVIESS COUNTY SCHOOL DISTRICT

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

DAVIESS COUNTY HIGH SCHOOL

Year Ended June 30, 2015

	Cash June 30, 2014	Receipts	Disbursements	Transfers	Cash June 30, 2015	Accounts Receivable	Inventory	Accounts Payable	Due to Student Groups June 30, 2015
BIG RED MACHINE	1,401	2,946	3,015	-	1,332	-	-	370	962
CLASS OF 2014	661	-	-	(661)	-	-	-	-	-
CLASS OF 2017	9	-	-	-	9	-	-	-	9
CLASS OF 2015	28	-	34	6	-	-	-	-	-
DRAMA/SPEECH	3,451	5,712	7,713	394	1,844	-	-	-	1,844
CLASS OF 2016	3	-	-	-	3	-	-	-	3
DRAMA MUSICAL	1,964	5,254	6,781	(61)	376	-	-	-	376
DANCE STUDIO	243	-	74	(169)	-	-	-	-	-
GRAD SR. ACTIVITIES	1,877	375	7,887	9,242	3,607	-	-	430	3,177
DC WISHES	1,624	-	-	(1,624)	-	-	-	-	-
CHAMBER CHOIR	1,184	12,946	13,850	(280)	-	-	-	-	-
ORCHESTRA	2,760	14,657	12,812	(1,438)	3,167	-	-	-	3,167
TARGET DONATION	1,306	797	-	(2,103)	-	-	-	-	-
PROM	7,559	7,833	8,651	38	6,779	-	-	-	6,779
RENAISSANCE REWARDS	3,772	-	2,383	3,391	4,780	-	-	-	4,780
FCS BUSINESS	292	231	-	8	531	-	-	-	531
T-SHIRTS/DC PRINTING	3,395	3,993	11,930	5,917	1,375	-	-	-	1,375
PERFORM ARTS TRIP	-	-	-	-	-	-	-	-	-
YEARBOOK-ECHOES	9,995	27,587	29,956	-	7,626	-	-	-	7,626
NICK BROWN SCHOLARSHIP	259	-	300	41	-	-	-	-	-
BRAD SMITH SCHOLARSHIP	635	-	635	-	-	-	-	-	-
FULKERSON SCHOLARSHIP	500	500	500	-	500	-	-	-	500
ROBIN SWEENEY SCHOLARSHIP	5,273	-	-	-	5,273	-	-	-	5,273
JOYCE ASKINS MEM. SCHOLARSHIP	5,000	5,000	600	(2,000)	7,400	-	-	-	7,400
CONTINGENCY FUND	53,510	-	-	10,500	64,010	-	-	-	64,010
PETTY CASH	100	100	100	-	100	-	-	-	100
ATHLETIC CASH BOXES	3,000	3,000	3,000	-	3,000	-	-	-	3,000
DISTRICT ACTIVITY FUNDS	-	19,747	19,747	-	-	-	-	-	-
	<u>\$ 293,969</u>	<u>\$ 1,279,966</u>	<u>\$ 1,250,247</u>	<u>\$ -</u>	<u>\$ 323,688</u>	<u>\$ 2,174</u>	<u>\$ 3,286</u>	<u>\$ 7,759</u>	<u>\$ 321,389</u>

DAVIESS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Agriculture:					
Food Donation	10.555	057502-15	51	N/A	\$ 746,898
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	7760005-15	51	N/A	939,276
National School Lunch Program	10.555	7750002-15	51	N/A	2,647,998
Summer Food Service Program for Children	10.559	7740023-15	51	209B	191,794
					<u>3,779,068</u>
Total U.S. Department of Agriculture					\$ <u>4,525,966</u>
<u>U. S. Department of Defense</u>					
Direct Program:					
ROTC	12.000	504A	2	504A	\$ 115,980
Total U. S. Department of Defense					\$ <u>115,980</u>
<u>U. S. Department of Education</u>					
Passed through Kentucky Department of Education:					
Title I Cluster					
Title I - Local Educational Agencies	84.010A	3100002-15	2	310A	1,766,592
Title I - Parent Involvement	84.010A	3100002-15	2	310AM	10,057
Title I - Local Educational Agencies	84.010A	3100002-14	2	3104	340,429
Title I - Parent Involvement	84.010A	3100002-14	2	3104M	5,524
Title I - Local Educational Agencies	84.010	3100002-13	2	3103	10,841
Title I - Part D, Subpart 2	84.010A	3100102-15	2	314A	120,889
Title I - Part D, Subpart 2	84.010	3100102-13	2	3143	4
Title I - School Improvement	84.010	3100002-15	2	320AE	137,449
					<u>2,391,785</u>
Migrant Education - State Grant Program	84.011	3110002-15	2	311A	160,873
Migrant Education - State Grant Program	84.011	3110002-14	2	3114	116,097
Migrant Education - State Grant Program (Summer School)	84.011A	3110002-13	2	3113S	13,113
					<u>290,083</u>
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027A	3810002-13	2	3373	500
IDEA, Part B	84.027A	3810002-14	2	3374	11,318
IDEA, Part B	84.027A	3810002-15	2	337A	2,016,321
Special Education - Preschool Grants:					
IDEA Preschool	84.173A	3800002-15	2	343A	80,116
					<u>2,108,255</u>
Career and Technical Education - Basic Grants to States:					
Perkins - Part C	84.048	4620932-15	2	348A	94,771
Perkins - Part C (Carry-over)	84.048	3484A	2	3484A	4,323
					<u>99,094</u>
English Language Acquisition Grants:					
Title III Limited English Proficiency	84.365A	3300002-15	2	345A	41,122
Improving Teacher Quality State Grants:					
Title II	84.367A	3230002-15	2	401A	328,516

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2015

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education, Continued</u>					
Passed through Kentucky Department of Education, Continued:					
Race to the Top (RTTT)	84.416A	4521	2	4521	10,736
Passed through Green River Regional Educational Co-op:					
Race to the Top (RTTT)	84.416A	4364	2	4364	57,124
Race to the Top (RTTT)	84.416A	436A	2	436A	368,769
Race to the Top (RTTT) Communities of Learning	84.416A	436A1	2	436A1	3,012
					<u>439,641</u>
Passed through Kentucky Department of Juvenile Justice:					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313A	2	313A	44,334
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	4100102-15	2	313A1	8,892
					<u>53,226</u>
Total U. S. Department of Education					<u>\$ 5,751,722</u>
<u>U.S. Department of Health and Human Services</u>					
Passed through Catholic Charities of Louisville, KY:					
Refugee School Impact	93.576	420A	2	420A	\$ 715
Total U. S. Department of Health and Human Services					<u>\$ 715</u>
Total Federal Awards					<u>\$ 10,394,383</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation

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

Note B: Summary of Significant Accounting Policies

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

Note C: Food Donation

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



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

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (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 and have issued our report thereon dated October 9, 2015.

Internal Control over Financial Reporting

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

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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

Daviess County School District's Response to Findings

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

Purpose of this Report

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

Owensboro, Kentucky
October 9, 2015





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

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Daviness County School District's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Owensboro, Kentucky
October 9, 2015

Renee Hancock CPA PSC

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Daviess County School District (District).
2. A significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. As indicated in Part C of this schedule, there were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
 - 84.011 Migrant Education – State Grant Program
 - Special Education Cluster:
 - 84.027 IDEA, Part B
 - 84.173 IDEA Preschool
 - 84.367 Improving Teacher Quality State Grants
8. The threshold used for distinguishing between Type A and B programs was \$311,831.
9. The District was determined to be a low-risk auditee.

DAVISS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

B. Findings - Financial Statements Audit

Significant Deficiency:

Finding 2015-001

Segregation of Duties

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

Recommendation

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

Management Response

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

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

None

DAVISS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

There were no audit findings relative to federal awards reported in the schedule of findings and questioned costs for the year ended June 30, 2014.



MANAGEMENT LETTER

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Daviness County School District (District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. A separate report dated October 9, 2015, contains our report on a significant deficiency in the District's internal control. This letter does not affect our report dated October 9, 2015, on the financial statements of the District.

FY 2015 Comments

Activity Funds:

Findings noted and frequency of occurrence are as follows:

Deposits:

- Deposits were not timely made (1);
- A check included in a deposit was omitted from the treasurer's receipt (1);
- A deposit was posted to an account that differed from that recorded on the treasurer's receipt (1);
- The Multiple Receipt Form was dated by the person remitting money several days before date of the treasurer's receipt (1);

Disbursements:

- Invoices were not always footed and cancelled to prevent duplicate payment (1);
- A voided check and the related supporting documentation was not retained in the files (1);

Transfers:

- Transfers were not recorded on a timely basis (3);
- The amount of a transfer was recorded incorrectly (1);

Athletics:

- Ticket sales receipts were turned in several days after the event (1);

Inventory:

Inventory reconcilements were improperly prepared (1);
A year-end count and reconciliation was not performed for one of the inventories (1);

Other:

A copy of the most recent Red Book was not on file (1).

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

Management Response:

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

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

Status of FY 2014 Comments

Activity Funds:

Findings noted and frequency of occurrence are as follows:

Bank reconcilements:

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

Deposits:

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

Deposits were not timely made (1);

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

Disbursements / Payables:

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

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

Transfers:

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

Athletic ticket sales:

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

Inventory:

Inventory was not recorded at correct pricing (1);

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

Status: See FY 2015 Comments above for findings resulting from current year audit procedures related to the Activity Funds.

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

Owensboro, Kentucky
October 9, 2015

Riney Hancock CPAs PSC