

DANVILLE INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2013

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**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Danville Independent Board of Education
Danville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Danville Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Board as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 42 and 43 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Danville High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Danville High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Danville High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013 on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 2, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Danville Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$4,996,111
The ending cash balance, including activity funds, for the District was \$5,387,770

The General Fund had \$16,928,004 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$16,262,552 in General Fund expenditures. This includes on-behalf payments.

The Board of Education approved a 4% revenue increase in property tax rates for 2013. The rate levied was in accordance with KRS 160.470 (HB44).

The District committed \$135,601 for the potential KSBIT assessment.

The Board approved a 2% increase for certified and classified staff. They also made some adjustments to administrative positions on the extra duty salary schedule based on salary comparisons with surrounding districts. They recognized the need to stay competitive with salaries to recruit and retain high quality staff for our school district.

The Board approved a revised policy that changed the threshold for capitalization of fixed assets. The minimum amount is \$5,000. In time this will change the net position statement. Technology items under \$5,000 will continue to be inventoried but not capitalized.

The Board purchased two school busses to help get back on track with the replacement cycle, one with full cash payment and one on a KISTA lease. The fleet is aging and replacement will need to occur on a strict cycle to avoid increasing repair bills.

The school district was granted the status of District of Innovation by the Kentucky Department of Education. General Assembly established the start of this process with the 2013 session. Danville was one of 4 districts in the state granted this status. We received a grant from the Gates Foundation to help with implementation of the transformation of curriculum delivery in the district. With that distinction, to make changes you have to make financial investments. The Board committed an additional \$150,000 to the high school for the fiscal year 2013-2014 from the year end balance and also set aside \$300,000 on the balance sheet for two more years of implementation. The investment will help fund additional positions to implement the changes. When the implementation of the full innovation plan is complete the high school will have the ability to maintain staffing levels allocated by the approved SBDM formula. They will no longer need an additional infusion of funds for additional staff.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

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

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Notes to the financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8 million as of June 30, 2013.

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

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

Net position for the period ending June 30, 2013 and 2012

2012 District-wide net position compared to 2013 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets	\$17,962	\$17,513	\$212	\$217	\$18,174	\$17,730
Deferred Outflows of Resources	\$205	\$181	\$0	\$0	\$205	\$181
Liabilities	\$9,324	\$8,986	\$0	\$11	\$9,324	\$8,997
Deferred Inflows of Resources	\$594	\$684	\$0	\$0	\$594	\$684
Investment in capital assets (net of debt)	\$4,142	\$3,842	\$120	\$102	\$4,262	\$3,944
Restricted	1,245	1,624	92	104	1,337	1,728
Unrestricted	<u>2,861</u>	<u>2,558</u>	<u>0</u>	<u>0</u>	<u>2,861</u>	<u>2,558</u>
Total Net Position	\$8,248	\$8,024	\$212	\$206	\$8,460	\$8,230

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$1,242,761 in contingency, which is 8.9 percent.

Comments on Budget Comparisons

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

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. "On-Behalf" payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.

Changes in Net Position (in thousands)						
	Governmental		Business-type		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Local Revenue Sources	\$8,190	\$8,497	\$292	\$253	\$8,482	\$8,750
State Revenue Sources	10,716	10,697	105	92	10,821	10,789
Federal Revenue Sources	1,862	1,417	755	855	2,617	2,272
Investments	<u>51</u>	<u>34</u>	<u>0</u>	<u>0</u>	<u>51</u>	<u>34</u>
Total Revenues	20,819	20,645	1,152	1,200	21,971	21,845
Expenses						
Instruction	12,245	13,328	0	0	12,245	13,328
Student Support Services	609	660	0	0	609	660
Instructional Support	1,485	1,420	0	0	1,485	1,420
District Administration	472	446	0	0	472	446
School Administration	1,176	1,134	0	0	1,176	1,134
Business Support	337	324	0	0	337	324
Plant Operations	2,244	2,267	0	0	2,244	2,267
Student Transportation	729	756	0	0	729	756
Facilities Acquisition & Construction	0	0	0	0	0	0
Community Support	230	202	0	0	230	202
Food Service	30	26	1,182	1,206	1,212	1,232
Debt Service	<u>344</u>	<u>306</u>	<u>0</u>	<u>0</u>	<u>344</u>	<u>306</u>
Total Expenses	19,901	20,869	1,182	1,206	21,083	22,075
Change in Net Position	918	(224)	(30)	(6)	888	(230)
Beginning Net Position	<u>7,330</u>	<u>8,248</u>	<u>242</u>	<u>212</u>	<u>7,572</u>	<u>8,460</u>
Ending Net Position	\$8,248	\$8,024	\$212	\$206	\$8,460	\$8,230

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

INFRASTRUCTURE

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

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$4,159	\$17,034	\$16,263	(\$364)	\$4,566
Special Revenue	\$0	\$2,681	\$2,894	\$213	\$0
Capital Outlay	\$115	\$163	\$0	(\$163)	\$115
Building	\$185	\$590	\$0	(\$590)	\$185
Construction	\$119	\$0	\$193	\$102	\$28
Debt Service	\$1	\$298	\$1,099	\$801	\$1

Capital Assets and Long-Term Debt Activity (in thousands)

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$29,793	\$396	\$697	\$29,492
Accumulated Depreciation	\$17,121	\$1,187	\$675	\$17,633
Business-Type				
Capital Assets	\$410	\$0	\$1	\$409
Accumulated Depreciation	\$290	\$18	\$1	\$307
Bonds Payable	\$8,278	\$0	\$740	\$7,538
Capital Leases Payable	\$377	\$98	\$66	\$409

CURRENT ISSUES

The Board of Education is continuing their conversation on facilities. They are still considering the grading levels, the age and condition of our buildings and cost of operations. During the 2013-2014 school year an architect will be hired. The school district has \$1.2M in SFCC bonds that must be issued prior to February 10, 2014.

The Board unanimously approved a 2% increase for certified and classified staff for fiscal year 2013-2014. The Board also revised the extra duty salary schedule for school level athletic and academic coaching staff and extra curricular activity supervisors. Any positions that were paid on a percentage basis were moved to flat amounts based on a comparison of surrounding districts but also kept in mind the value of staff to students outside the classroom.

Contacting the District's Financial Management

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

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$5,216,718	\$0	\$5,216,718
Accounts receivable	358,236	83,192	441,428
Inventory		31,856	31,856
Prepaid expenses	78,770		78,770
Capital assets			
Land and construction in progress	587,213		587,213
Other capital assets, net of depreciation	<u>11,271,831</u>	<u>102,075</u>	<u>11,373,906</u>
Total capital assets	<u>11,859,044</u>	<u>102,075</u>	<u>11,961,119</u>
TOTAL ASSETS	\$17,512,768	\$217,123	\$17,729,891
DEFERRED OUTFLOWS OF RESOURCES			
Bond issue costs	\$181,094		\$181,094
LIABILITIES			
Cash in Bank Overdraft	\$0	\$10,675	\$10,675
Accounts payable	30,471		30,471
Accrued salaries and benefits payable	44,226		44,226
Interest payable	69,591		69,591
KSBIT liability	135,601		135,601
Long-term Liabilities			
Due within 1 year	935,072		935,072
Due in more than 1 year	<u>7,770,800</u>		<u>7,770,800</u>
TOTAL LIABILITIES	\$8,985,761	\$10,675	\$8,996,436
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	683,894		683,894
NET POSITION			
Net investment in capital assets	\$3,841,988	\$102,075	\$3,944,063
Restricted			
Inventories		31,856	31,856
Prepays	78,770		78,770
Accrued sick leave	200,000		200,000
Food Service		72,517	72,517
SFCC	300,443		300,443
Future Construction Projects	577,842		577,842
Debt Service	647		647
Other	466,601		466,601
Unrestricted	<u>2,557,916</u>		<u>2,557,916</u>
TOTAL NET POSITION	\$8,024,207	\$206,448	\$8,230,655

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$13,328,304		\$1,772,852		(\$11,555,452)	\$	(\$11,555,452)
Support services:							
Student	659,773		171,009		(\$488,764)		(488,764)
Instruction staff	1,419,777		446,880		(\$972,897)		(972,897)
District administrative	446,266				(\$446,266)		(446,266)
School administrative	1,133,990				(\$1,133,990)		(1,133,990)
Business	323,820				(\$323,820)		(323,820)
Plant operation and maintenance	2,266,953		4,502		(\$2,262,451)		(2,262,451)
Student transportation	755,853		57,051		(\$698,802)		(698,802)
Food service	26,329		26,329		\$0		0
Community service activities	202,048		202,048		\$0		0
Interest on long-term debt	305,495		0	63,132	(\$242,363)		(242,363)
Total governmental activities	20,868,608		2,680,671	63,132	(18,124,805)		(18,124,805)

Business-type Activities

Food service	1,205,501	252,665	947,018			(5,818)	(5,818)
Total business-type activities	1,205,501	252,665	947,018			(5,818)	(5,818)
Total school district	\$22,074,109	\$252,665	\$3,627,689	\$63,132	(\$18,124,805)	(\$5,818)	(\$18,130,623)

General Revenues

Property taxes	\$6,525,662						\$6,525,662
Motor Vehicle taxes	412,817						412,817
Utility taxes	1,162,555						1,162,555
State aid-formula grants	9,721,911						9,721,911
Investment earnings	33,883					185	34,068
Loss on sale of assets	(14,419)						(14,419)
Transfers	0						0
Miscellaneous	58,152						58,152
Total general & special	17,900,561					185	17,900,746
Change in net positions	(224,244)					(5,633)	(229,877)
Net position - beginning	8,248,451					212,081	8,460,532
Net position - ending	\$8,024,207					\$206,448	\$8,230,655

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$4,296,162	\$591,624	\$328,932	\$5,216,718
Other receivables	265,966	92,270		358,236
Prepaid expenses	<u>78,770</u>			<u>78,770</u>
TOTAL ASSETS	\$4,640,898	\$683,894	\$328,932	\$5,653,724
LIABILITIES				
Accounts payable	\$30,471	\$0	\$0	\$30,471
Accrued salaries and benefits payable	<u>44,226</u>			<u>44,226</u>
TOTAL LIABILITIES	74,697	0	0	74,697
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues		683,894		683,894
Fund Balances				
Nonspendable				
Prepays	78,770			78,770
Restricted				
Sick Leave Payable	200,000			200,000
SFCC			300,443	300,443
Future Construction Projects BG-1			27,842	27,842
Debt Service			647	647
Committed				
Future Construction Projects	550,000			550,000
Other	135,601			135,601
Assigned				
Other	331,000			331,000
Unassigned	<u>3,270,830</u>			<u>3,270,830</u>
Total fund balances	4,566,201	0	328,932	4,895,133
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$4,640,898	\$683,894	\$328,932	\$5,653,724

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2013

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

Total Fund Balance - Governmental Funds		\$4,895,133
Certain assets are not reported in this fund financial statement because they are recorded as current expenditures		
	Bond Issue Costs	181,094
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		
		11,859,044
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(7,537,990)
	Capital Leases Payable	(409,475)
	KSBIT Liability	(135,601)
	Accrued Interest on Bonds	(69,591)
	Accumulated Sick Leave	<u>(758,407)</u>
Total Net Position - Governmental Activities		\$8,024,207

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2013	General	Special	Other	Total
Revenues	Fund	Revenue	Governmental	Governmental
			Funds	Funds
From local sources				
Property taxes	\$6,092,614	\$	\$433,048	\$6,525,662
Motor vehicle taxes	412,817			412,817
Utility taxes	1,162,555			1,162,555
Earnings on investments	33,858	259	25	34,142
Other local revenues	58,152	351,566		409,718
Intergovernmental - State	9,187,983	892,110	617,035	10,697,128
Intergovernmental - Federal	<u>(19,975)</u>	<u>1,436,736</u>		<u>1,416,761</u>
Total revenues	16,928,004	2,680,671	1,050,108	20,658,783
 Expenditures				
Instruction	10,163,022	1,986,442		12,149,464
Support services				
Student	487,372	171,009		658,381
Instruction staff	972,897	446,880		1,419,777
District administration	446,266			446,266
School administration	1,133,990			1,133,990
Business	323,820			323,820
Plant operation and maintenance	1,934,397	4,502		1,938,899
Student transportation	800,788	57,051		857,839
Food Service		26,329		26,329
Community service activities		202,048		202,048
Facilities			193,438	193,438
Debt service			<u>1,098,738</u>	<u>1,098,738</u>
Total expenditures	<u>16,262,552</u>	<u>2,894,261</u>	<u>1,292,176</u>	<u>20,448,989</u>
 Excess(deficit)of revenues over expenditures	665,452	(213,590)	(242,068)	209,794
 Other Financing Sources (Uses)				
Capital lease proceeds	98,362			98,362
Loss compensation - equipment	7,896			7,896
Operating transfers in	148,429	213,590	903,376	1,265,395
Operating transfers out	<u>(512,792)</u>		<u>(752,603)</u>	<u>(1,265,395)</u>
Total other financing sources (uses)	<u>(258,105)</u>	<u>213,590</u>	<u>150,773</u>	<u>106,258</u>
 Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	407,347	0	(91,295)	316,052
 Fund balance, July 1, 2012	<u>4,158,854</u>	<u>0</u>	<u>420,227</u>	<u>4,579,081</u>
 Fund balance, June 30, 2013	\$4,566,201	\$0	\$328,932	\$4,895,133

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2013

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

Total net change in fund balances - governmental funds \$316,052

Capital outlays are reported as expenditures in this fund financial
 statement because they use current financial resources, but they
 are presented as assets in the statement of activities and
 depreciated over their estimated economic lives. The difference
 is the amount by which capital outlays exceeds depreciation
 expense for the year.

	Depreciation Expense	(1,187,328)	
	Capital Outlays	<u>395,825</u>	(791,503)

Loss on sale of assets (22,315)

Bond issue costs are expensed as incurred in the fund balance
 statement, but are amortized over the life of the bond in the
 statement of activities:

	Amortization Expense	(24,103)
--	----------------------	----------

Bond proceeds provide current financial resources to
 governmental funds, but issuing debt increases long-term
 liabilities in the statement of net position. Repayment of bond
 principal is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the statement of net
 position.

	Repayment of Bond Principal	740,000
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Lease payments are recognized as expenditures of current
 financial resources in the fund financial statement, but are
 reductions of liabilities in the statement of net position

	Repayment of Capital Lease Principal	65,693
	Proceeds from Capital Lease	(98,362)

Generally, expenditures recognized in this fund financial statement
 are limited to only those that use current financial resources, but
 expenses are recognized in the statement of activities when they
 are incurred.

	Change in Accrued Interest	11,653
	KSBIT liability	(135,601)
	Change in Sick Leave	<u>(285,758)</u>

Total Change in Net Position - Governmental Activities (\$224,244)

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
ASSETS	
Accounts Receivable	\$83,192
Inventory	31,856
Capital Assets, net of depreciation	<u>102,075</u>
TOTAL ASSETS	\$217,123
LIABILITIES	
Cash in Bank Overdraft	\$10,675
TOTAL LIABILITIES	<u>10,675</u>
NET POSITION	
Net Investment in Capital Assets	102,075
Nonspendable-Inventories	31,856
Restricted Net Position	<u>72,517</u>
TOTAL NET POSITION	\$206,448

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$252,665
Total Operating Revenues	252,665
OPERATING EXPENSES	
Salaries and wages	604,667
Contract services	15,994
Materials and supplies	567,047
Depreciation	<u>17,793</u>
Total Operating Expenses	1,205,501
Operating income (loss)	(952,836)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	796,271
State grants	10,336
State on-behalf payments	81,993
Interest income	185
Commodities received	<u>58,418</u>
Non-operating revenues (expenses)	947,203
Net income (loss) before Capital Contributions	(5,633)
Capital Contributions	0
Increase (decrease) in Net Position	(5,633)
Net Position, July 1, 2012	<u>212,081</u>
Net Position, June 30, 2013	\$206,448

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2013

Business-Type Activities
Enterprise Funds
Food Service
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$252,665
Cash paid to employees, including benefits	(522,674)
Cash paid to suppliers	<u>(509,286)</u>
Net cash provided by operating activities	(779,295)

CASH FLOW FROM NONCAPITAL
FINANCING ACTIVITIES

Cash received from government funding	<u>723,415</u>
Net cash provided from capital and related financing activities	723,415

CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Interest Income	<u>185</u>
Net cash provided from capital and related financing activities	185

Net increase (decrease) in cash (55,695)

Cash and equivalents, July 1, 2012 45,020

Cash and equivalents, June 30, 2013 (\$10,675)

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$952,836)

Adjustments to reconcile net income to cash provided by operating activities

Depreciation	17,793
On-behalf payments	81,993
Commodities used	58,418
Decrease in inventory	<u>15,337</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$779,295)

Schedule of Non-Cash Financing Activities

Donated commodities	\$58,418
On Behalf payments	\$81,993

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
SCHOOL ACTIVITY FUNDS
As of June 30, 2013

	Agency Fund
ASSETS	
Cash and equivalents	\$181,727
Accounts receivable	<u>2,774</u>
TOTAL ASSETS	\$184,501
LIABILITIES	
Accounts payable	\$3,807
Due to student groups	<u>180,694</u>
TOTAL LIABILITIES	\$184,501

See accompanying notes

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Danville Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Danville Independent School District Finance Corporation (the Corporation) – the Danville Independent Board of Education has established the Danville Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Danville Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-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 Board that are governmental and those that are considered business-type activities.

The district-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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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 total net position. 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 and meets the cash flow needs of its proprietary activities.

The District has the following funds:

2014. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.. It includes federal financial programs where unused balances are returned to the grantor at the close of 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

(2014) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) 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.
3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

2014. Proprietary Funds (Enterprise Fund)

1. The School 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). This is a major fund for the District.

2014. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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 – Exchanges 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 sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used 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 nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met, are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.799 per \$100 valuation for real property, \$.799 per \$100 valuation for business personal property and \$.669 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the finance officer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Subsequent Events

Subsequent events were considered through October 2, 2013, which represents the date of my report.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of 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.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2013 were levied on the assessed valuation of property located in the School District as of January 1, 2012 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1
Delinquent date, 21% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,387,770. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 4,296,162
Fund 2		591,624
Fund 310		115,086
Fund 320		185,357
Fund 360		27,842
Fund 51		<u>(10,675)</u>
Total General Checking Account	5,875,430	5,205,396
Activity and Trust Funds	195,394	181,727
Debt Service Funds	<u>647</u>	<u>647</u>
TOTALS	\$ 6,071,471	\$5,387,770

Breakdown per financial statements:

Governmental Funds	\$ 5,216,718
Proprietary Funds	(10,675)
Agency Funds	<u>181,727</u>
TOTALS	\$ 5,387,770

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 915,484
Support Services	
Student	1,392
Plant operations & maintenance	192,453
Student transportation	<u>77,999</u>
Total Depreciation expense, governmental activities	\$1,187,328

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2012	Additions	Retirements	June 30,2013
Land	366,778			366,778
Land Improvements	316,350	102,117		418,467
Building & Building Improve	23,388,085	96,103		23,484,188
Technology Equipment	2,600,555	7,275	589,247	2,018,583
Vehicles	1,268,540	179,985	31,200	1,417,325
General Equipment	1,643,320		76,713	1,566,607
Construction in Process	<u>210,090</u>	<u>10,345</u>	<u>0</u>	<u>220,435</u>
Totals at historical cost	29,793,718	395,825	697,160	29,492,383
Accumulated Depreciation				
Land Improvements	244,873	12,951		257,825
Building & Building Improve	12,794,368	773,787		13,568,155
Technology Equipment	1,732,885	290,398	573,568	1,449,714
Vehicles	917,634	68,887	31,200	955,321
General Equipment	<u>1,431,096</u>	<u>41,305</u>	<u>70,077</u>	<u>1,402,324</u>
Total accumulated depreciation	17,120,856	1,187,328	674,845	17,633,339
Capital Assets – Net	12,672,862	(791,503)	22,315	11,859,044
Business-Type Activities				
Building & Building Improve	0			0
Technology Equipment	23,022		945	22,077
General Equipment	<u>386,840</u>		<u> </u>	<u>386,840</u>
Totals at historical cost	409,862		945	408,917
Accumulated Depreciation				
Building & Building Improve	0			0
Technology Equipment	15,913	1,583	945	16,551
General Equipment	<u>274,081</u>	<u>16,210</u>	<u> </u>	<u>290,291</u>
Total accumulated depreciation	289,994	17,793	945	306,842
Capital Assets – Net	119,868	(17,793)	0	102,075

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2003	\$ 515,000	3.00%
2006SBB	1,170,000	4.21145%
2006 Refunding	2,611,000	3.82628%
2006ECB	3,915,000	4.01112%
2009 Refunding	1,225,000	2.20% - 3.00%
2010 Refunding	1,130,000	1.00% - 2.00%
2011 KISTA	108,990	1.50% - 4.00%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2013.

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

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$8,277,990		\$740,000	\$7,537,990
Capital Leases	\$376,806	\$98,362	\$65,693	\$409,475
Sick Leave	\$472,649	\$285,758		\$758,407

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

Year	Danville Independent School District		SFCC Participation		Total
	Principal	Interest	Principal	Interest	
2013-14	396,900	182,308	227,100	63,842	870,150
2014-15	420,611	167,785	329,389	72,219	990,004
2015-16	428,144	152,362	336,856	64,600	981,962
2016-17	449,511	136,255	350,489	55,684	991,939
2017-18	463,603	119,121	356,397	46,107	985,228
2018-19	484,267	101,383	375,733	36,234	997,617
2019-20	670,000	79,105	190,000	26,112	965,217
2020-21	230,000	61,750	75,000	22,019	388,769
2021-22	240,000	52,500	75,000	18,904	386,404
2022-23	250,000	42,950	80,000	15,783	388,733
2023-24	260,000	32,950	85,000	12,445	390,395
2024-25	270,000	22,550	85,000	8,892	386,442
2025-26	280,000	11,480	90,000	5,332	386,812
2026-27	0	0	5,000	1,562	6,562
2027-28	0	0	5,000	1,354	6,354
2028-29	0	0	5,000	1,139	6,139
2029-30	0	0	5,000	924	5,924
2030-31	0	0	8,990	623	9,613
2031-32	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>215</u>	<u>10,215</u>
Totals	4,843,036	1,162,499	2,694,954	453,990	9,154,479

NOTE F – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

Classes of Property	Book value as of June 30, 2013
Buses & Equipment	\$ 462,004

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

Year Ending June 30,	Capital Lease Payable
2014	\$ 80,956
2015	67,005
2016	63,196
2017	62,755
2018	51,742
Thereafter	<u>133,234</u>
Total minimum lease payments	458,888
Less: Amount representing interest	<u>(49,413)</u>
Present Value of Net Minimum Lease Payments	\$ <u>409,475</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2013 as follows:

Year ending June 30,

2014	\$ 2,592
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NOTE H – RETIREMENT PLANS

Plan Description – The Danville Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple-employer, defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the KY Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the KY Employees Health Plan administered by the KY Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of member's salary for the 2012-2013 fiscal year.

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE H – RETIREMENT PLANS (continued)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The following are payroll and retirement amounts for the years ended June 30, 2013, 2012, and 2011	2013	2012	2011
Total payroll	\$12,646,167	\$12,821,408	\$12,936,055
KTRS total payroll	\$9,533,964	\$9,555,164	\$9,800,126
CERS total payroll	\$2,954,456	\$2,994,912	\$2,941,026
Contribution requirement for CERS	\$726,767	\$726,769	\$646,178
District portion – CERS contribution	\$579,675	\$572,499	\$497,915
Employee portion – CERS contribution	\$147,092	\$154,270	\$148,263
KTRS contribution – Commonwealth of KY	\$1,093,759	\$1,157,216	\$1,189,306
KTRS contribution – District Federal Employees	\$167,546	\$163,260	\$100,481

NOTE I – CONTINGENCIES

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

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled \$758,407 of which \$200,000 is restricted in the current year fund balance of the General Fund.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies, including participating in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis. The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures	
Fund 360	(91,299)
Fund 51	(5,633)

DANVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE O – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 25,590
Operating	1	2	Technology	150,000
Operating	1	2	Advanced KY NMSI	10,000
Operating	1	2	11N3G	28,000
COFT	310	1	COFT	130,608
COFT	320	1	COFT	17,821
Debt Service	1	400	Bond Payment	299,202
Debt Service	320	400	Bond Payment	502,057
Construction	310	360	Construction	32,117
Construction	320	360	Construction	70,001

NOTE Q – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 2,118,782
Life Insurance	4,926
Administrative Fees	23,784
Health Reimbursement Account	100,100
Federal Reimbursement	(160,368)
KTRS	1,093,759
Technology On Behalf Payments	53,609
Debt Service On Behalf Payments	<u>297,479</u>
Total On-Behalf Payments	\$ 3,532,071

NOTE R – DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE R – DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2013, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE S – KSBIT ASSESSMENT

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The exact amount of the assessment has not been determined. The District has shown a liability of \$135,601 based on the "Novation" calculation provided by KSBIT. This amount is subject to change when final assessment amounts are calculated.

NOTE T – GASB 68

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	6,962,500	7,003,030	7,667,986	664,956
Other Local Sources	97,000	101,300	92,010	(9,290)
State Sources	5,933,729	5,933,729	9,187,983	3,254,254
Federal Returned			<u>(19,975)</u>	<u>(19,975)</u>
TOTAL REVENUES	<u>12,993,229</u>	<u>13,038,059</u>	16,928,004	3,889,945
EXPENDITURES				
Instruction	8,237,835	8,620,755	10,163,022	(1,542,267)
Support Services				
Student	544,857	526,187	487,372	38,815
Instructional Staff	1,090,892	1,006,104	972,897	33,207
District Administration	563,010	583,482	446,266	137,216
School Administration	955,755	913,194	1,133,990	(220,796)
Business	283,950	289,700	323,820	(34,120)
Plant Operation and Maintenance	2,096,621	2,283,029	1,934,397	348,632
Student Transportation	644,115	635,474	800,788	(165,314)
Food Service	13,148	13,150	0	13,150
Contingency	1,104,046	1,242,761		1,242,761
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>15,534,229</u>	<u>16,113,836</u>	16,262,552	(148,716)
Excess (Deficit) of Revenues Over Expenditures	(2,541,000)	(3,075,777)	665,452	3,741,229
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	0	0	98,362	98,362
Loss Compensation-Equipment	0	2,500	7,896	5,396
Operating Transfers In	0	148,429	148,429	0
Operating Transfers Out	<u>(359,000)</u>	<u>(359,000)</u>	<u>(512,792)</u>	<u>(153,792)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(359,000)</u>	<u>(208,071)</u>	<u>(258,105)</u>	<u>(50,034)</u>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(2,900,000)	(3,283,848)	407,347	3,691,195
Fund Balance, July 1, 2012	<u>2,900,000</u>	<u>3,283,848</u>	<u>4,158,854</u>	<u>875,006</u>
Fund Balance, June 30, 2013	\$0	\$0	\$4,566,201	\$4,566,201

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$3,152,600.

DANVILLE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES				
State Sources	\$542,400	\$851,456	\$892,110	40,654
Federal Sources	1,068,100	1,345,838	1,436,736	90,898
Local Sources	<u>296,000</u>	<u>458,919</u>	<u>351,825</u>	<u>(107,094)</u>
TOTAL REVENUES	1,906,500	2,656,213	2,680,671	24,458
EXPENDITURES				
Instruction	1,688,665	2,055,294	1,986,442	68,852
Support Services				
Student	13,500	132,145	171,009	(38,864)
Instructional Staff	101,035	396,044	446,880	(50,836)
Plant Operations & Maintenance	0	0	4,502	(4,502)
Student Transportation	3,300	55,525	57,051	(1,526)
Food Service	0	27,220	26,329	891
Community Service Operations	<u>140,000</u>	<u>193,575</u>	<u>202,048</u>	<u>(8,473)</u>
TOTAL EXPENDITURES	1,946,500	2,859,803	2,894,261	(34,458)
Excess (Deficit) of Revenues Over Expenditures	(40,000)	(203,590)	(213,590)	(10,000)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	<u>40,000</u>	<u>203,590</u>	<u>213,590</u>	<u>10,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	40,000	203,590	213,590	10,000
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2013	\$0	\$0	\$0	\$0

DANVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total
ASSETS AND RESOURCES					
Cash and equivalents	\$115,086	\$185,357	\$27,842	\$647	\$328,932
TOTAL ASSETS AND RESOURCES	\$115,086	\$185,357	\$27,842	\$647	\$328,932
FUND BALANCES					
Restricted - SFCC	\$115,086	\$185,357	\$	\$	\$300,443
Restricted - Future Constr BG-1			27,842		27,842
Restricted - Debt Service				647	647
TOTAL FUND BALANCES	115,086	185,357	27,842	647	328,932
TOTAL LIABILITIES AND FUND BALANCES					
	\$115,086	\$185,357	\$27,842	\$647	\$328,932

DANVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total
REVENUES					
From local sources					
Taxes	\$	\$433,048	\$	\$	\$433,048
Interest			21	4	25
Intergovernmental-State	<u>162,725</u>	<u>156,830</u>	<u> </u>	<u>297,480</u>	<u>617,035</u>
TOTAL REVENUES	162,725	589,878	21	297,484	1,050,108
EXPENDITURES					
Site Improvement			86,989		86,989
Building Improvements			106,449		106,449
Debt Service			<u> </u>	<u>1,098,738</u>	<u>1,098,738</u>
TOTAL EXPENDITURES			193,438	1,098,738	1,292,176
Excess (deficit) revenues over expenditures	162,725	589,878	(193,417)	(801,254)	(242,068)
OTHER FINANCING SOURCES (USES)					
Operating transfers in			102,118	801,258	903,376
Operating transfers out	<u>(162,725)</u>	<u>(589,878)</u>	<u> </u>	<u> </u>	<u>(752,603)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(162,725)	(589,878)	102,118	801,258	150,773
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	0	(91,299)	4	(91,295)
Restricted Fund Balance, July 1, 2012	<u>115,086</u>	<u>185,357</u>	<u>119,141</u>	<u>643</u>	<u>420,227</u>
Restricted Fund Balance, June 30, 2013	\$115,086	\$185,357	\$27,842	\$647	\$328,932

DANVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2013

	Danville High School	Bate Middle School	Jennie Rogers Elementary	Edna L Tolliver Elementary	Mary G. Hogsett Elementary	Total
ASSETS						
Cash and equivalents	\$115,557	\$29,164	\$5,942	\$16,638	\$14,426	\$181,727
Accounts receivable	<u>2,774</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,774</u>
TOTAL ASSETS	\$118,331	\$29,164	\$5,942	\$16,638	\$14,426	\$184,501
LIABILITIES						
Accounts payable	\$3,751	\$56	\$0	\$0	\$0	\$3,807
Due to student groups	<u>114,580</u>	<u>29,108</u>	<u>5,942</u>	<u>16,638</u>	<u>14,426</u>	<u>180,694</u>
TOTAL LIABILITIES	\$118,331	\$29,164	\$5,942	\$16,638	\$14,426	\$184,501

DANVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS
 For The Year Ended June 30, 2013

	Cash Balances		Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable		Accounts Payable	Due To Student Groups
	July 1, 2012	June 30, 2013				June 30, 2013	June 30, 2013		
Danville High School	\$142,328	\$366,344	\$393,115	\$115,557	\$2,774	\$3,751	\$114,580		
Bate Middle School	\$31,957	\$84,719	\$87,512	\$29,164		56	\$29,108		
Jennie Rogers Elementary	\$6,150	\$35,458	\$35,666	\$5,942			\$5,942		
Edna L Tolliver Elementary	\$16,604	\$43,879	\$43,845	\$16,638			\$16,638		
Mary G Hogsett Elementary	\$30,752	\$50,477	\$66,803	\$14,426			\$14,426		
TOTAL ACTIVITY FUNDS	\$227,791	\$580,877	\$626,941	\$181,727	\$2,774	\$3,807	\$180,694		

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
DANVILLE HIGH SCHOOL
For The Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Transfers	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due To Student Groups June 30, 2013
Art	\$392	\$65	\$754	\$297	\$0			\$0
Business	329			300	629			629
Hospitality	20			(20)	0			0
Copier	481		778	398	101			101
Danville Board of Education	1,465			147	1,612			1,612
Student Handbooks	322			(322)	0			0
Mini Grants	0	3,400	2,421	(402)	979			979
English Department	462	415	465	559	10			10
Speech/Drama	302		861	50	0			0
Journalism	0		50	50	0			0
DSEF	106		104	(2)	0			0
Fees (Students)	1	9,865	142	(9,648)	76			76
Foreign Language	734		66	100	768			768
General Administration	0	5,685	7,668	5,964	3,981		70	3,911
Cap & Gown	966	194			1,160			1,160
Guidance	796	3,194	4,271	424	143		19	124
AP Exams	1,633	12,634	13,366		901			901
Instrumental Music	0	410	926	517	1			1
Interest	5	791	18	(690)	88			88
Intercession	2,953	9,394	5,063	203	7,487			7,487
Intercession/Disney	0	8,448	8,245	(203)	0			0
Library	3,643	639	3,829	2,000	2,453			2,453
Mathematics Department	644		252	128	520			520
Calculators	28			(28)	0			0
Health/Physical Education	890		100	100	990			990
Project Based Learning	139	1,040	1,040		139			139
School Office	0	58	1,045	987	0			0
School Pictures	1,248	1,063		(2,311)	0			0
Science	0	1,549	3,053	1,853	349			349
DSEF	411			(411)	0			0
Social Studies	34		33	100	101			101
Humanities	259				259			259
Arts Projects	23			(23)	0			0
Summer Math Program	140			(140)	0			0
Special Education	556		527	100	129			129
FMD	396	1,407	2,065	262	0			0
Senior Scholarship	1,162	1,500	2,200	76	538			538
Back to Walden	0	500	236		264			264
Vocal Music	652		282	182	552			552
Ambassadors of Music	32			(32)	0			0

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
DANVILLE HIGH SCHOOL
For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Due To Student Groups Year End
Computer	3,100		136	1,100	4,064			4,064
Academic Boosters	57		1,430	2,109	736			736
Quiz Bowl	369	1,240	1,062		547			547
Yearbook	3,589	1,415	3,469	2,311	3,846			3,846
Hall of Fame	0	100			100			100
Volleyball	150	1,712	3,754	1,892	0			0
Admiral Club	11,952	4,546	4,918	4,313	15,893		858	15,035
Baseball	8,283	7,796	7,820		8,259			8,259
Boys Basketball	1,077	7,680	5,323		3,434		1,482	4,726
Girls Basketball	161	14,320	14,914	1,035	602	2,774		602
Cheerleaders	1,983	8,433	10,394		22			22
Cross Country	2,907	8,129	7,616		3,420			3,420
Girls Soccer	0	3,068	5,349	2,281	0			0
Football	21,070	33,569	45,034	(5,381)	4,224		1,287	2,937
Golf	0	6,123	7,273	1,150	0			0
Soccer	8,790	6,662	11,176		4,276			4,276
Swimming	0		1,400	1,400	0			0
Boys Tennis	0	767	1,992	1,225	0			0
Girls Tennis	0	1,557	3,895	2,338	0			0
Track	0	3,923	5,024	1,161	60			60
Girls Softball	26	4,822	14,653	9,805	0			0
Wrestling	5,022	14,055	17,202	382	2,257			2,257
Travel	0	18,000		(18,000)	0			0
Athletic Training	492		1,972	1,480	0			0
Constitution Bowl	34,532	34,906	47,867	5,000	26,571			26,571
DYFB	2,713	8,590	6,850		4,453			4,453
Uniform Fund	0	12,000	10,519	(1,481)	0			0
Non Revenue Sports	0	10,000		(10,000)	0			0
Faculty Fund	19	302	293		28			28
Diversity Club	34		105	71	0			0
Beta Club	285			(285)	0			0
DECA	449				677			677
FCA	70	500	272		0			0
Forensics	15	1,000	1,070		0			0
Forensics Nationals	1,036	32,974	28,033	(4,713)	243			243
French Club	162	15,615	21,256	4,605	0			0
Class of 14	0	4,490	2,552	(162)	1,938			1,938

DANVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND STUDENT GROUPS
DANVILLE HIGH SCHOOL
For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Due To Student Groups Year End
Class of '13	3,158			(3,158)	0			0
Class of 12	2,896			(2,896)	0			0
HOSA	95				95			95
Jr Stageman of Ame	1,287	6,312	6,876	(723)	0			0
Play Production	0	10,026	9,179		847		35	812
Elementary Program	97				97			97
NHS	330	470	376		424			424
PEP Club	36			(36)	0			0
Poetry Club	544			(544)	0			0
Project Graduation	765	6,900	9,875	\$2,697	487			487
Roots & Shoots	97	34	109		22			22
Flois Smith Library	563		142		421			421
Spanish Club	404	848	932	143	463			463
Staff Appreciation	659	450	625		484			484
Student Council	1,094	695	509		1,280			1,280
Teen Corner Supply	24			(24)	0			0
Textbooks	398	8,618	8,096		920			920
Trophy Case	300			(300)	0			0
Student Vending	11	452	329		134			134
Faculty Vending	3				3			3
NSF	0	994	1,684	690	0			0
Totals	\$142,328	\$366,344	\$393,115	\$0	\$115,557	\$2,774	\$3,751	\$114,580

DANVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	\$102,924
National School Lunch Program	10.555	7750002 13	477,139
School Breakfast Program	10.553	7760005 12	38,642
School Breakfast Program	10.553	7760005 13	177,566
Summer Food Service Program for Children	10.559	7690024 12	3,089
Summer Food Service Program for Children	10.559	7740023 12	<u>23,240</u>
SubTotal Child Nutrition Cluster			822,600
Commodities	10.555	510-4950	<u>58,418</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			881,018
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 11	119,067
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>541,031</u>
		subtotal	660,098
Migrant Education, Title I, Part C of ESEA	84.011	3110002 11	98,496
Migrant Education, Title I, Part C of ESEA	84.011	3110002 12	<u>57,513</u>
		subtotal	156,009
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	53,592
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	333,844
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	<u>21,606</u>
		subtotal	409,042
Education Jobs Fund (Ed Jobs)	84.410	EJOB00	2,699
Race to the Top	84.413A	3960002 11	4,915
Title VI Rural Education	84.358	3140002 11	37,757
Title VI Rural Education	84.358	3140002 12	<u>28,370</u>
		subtotal	66,127

The accompanying notes are an integral part of this schedule

DANVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Vocational Education	84.048	4621332 11	224
Vocational Education	84.048	4621332 12	<u>17,381</u>
		subtotal	17,605
Improving Teacher Quality State Grants	84.367	3230002 11	6,190
Improving Teacher Quality State Grants	84.367	3230002 12	<u>81,675</u>
		subtotal	87,865
TOTAL U.S. DEPARTMENT OF EDUCATION			1,404,360
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,285,378

The accompanying notes are an integral part of this schedule

DANVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Danville Independent School District (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and 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 2 – 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$58,418.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

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

(for a Governmental Entity)

**(No Material Weaknesses Identified, No Significant Deficiencies Identified, and
No Reportable Instances of Noncompliance, or Other Matters Identified)**

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Danville Independent School District
Danville, Kentucky

We have audited, 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, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Danville Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 2, 2013.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

I noted certain matters that I reported to management of the District in a separate letter dated October 2, 2013.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 2, 2013

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Danville Independent School District
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Danville Independent School District's (the "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, 2013. 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* and the audit requirements prescribed by the Kentucky Committee for School District Audits. 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 on 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, 2013.

Report on Internal Control Over Compliance

Management of the Danville Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Danville Independent School District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 2, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

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

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 2, 2013

DANVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

DANVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2013

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Danville Independent Board of Education
Danville, Kentucky

I have audited the financial statements of the Danville Independent School District for the year ended June 30, 2013 and have issued my report thereon dated October 2, 2013. As part of my audit, I made a study and evaluation of the District's system of internal accounting control to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. My study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Danville Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, I do not express an opinion on the system of internal accounting control of the Danville Independent School District taken as a whole. My study and evaluation disclosed no condition that I believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2012-01, 2012-02, 2012-05, 2012-11, 2012-12, 2012-13, 2012-14, 2012-15, 2012-17, 2012-18, 2012-19, 2012-20, 2012-21, 2012-23.

The following items from last year's management letter points were not corrected: 2012-03, 2012-04, 2012-06, 2012-07, 2012-08, 2012-09, 2012-10, 2012-16, 2012-22.

CURRENT YEAR MANAGEMENT POINTS

2013-01

The District needs to review and strengthen the existing controls over cash disbursements. When testing cash disbursements, I noted purchases were made without approved purchase orders.

Management's Response

Changes to our procedures will be effective immediately. Training will be provided to staff on proper purchasing procedures.

2013-02

KRS 160.291 states, "all school employees working on a continuing, regular basis shall be paid regularly on dates determined by the employing board of education during the school year or during the fiscal year for 12 month employees. The gross salary received on each pay date will be an amount equal to the school employee's annual salary divided by the number of pay dates..." The District pays some of its bus drivers and custodians from timesheets, their salaries are not annualized as required by this statute. The District needs to comply with KRS 160.291 for all employees who are covered by the statute.

Management's Response:

This practice will be discontinued at the close of the 2013-14 school year. Effective July 1, 2014 all employees on an annual contract will have the value of the contract annualized for 24 equal pays.

2013-03

Testing disclosed one quarterly CDIP report to the Kentucky Department of Education was not filed timely. Staff should be reminded to file all reports on time.

Management's Response:

More attention will be given to report due dates with the Kentucky Department of Education.

DANVILLE HIGH SCHOOL

2013-04

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed that several invoices had dates prior to the approval date, 8 out of 29. There were 4 out of 29 with no PO date on it, so could not tell if those were preapproved. Management should emphasize to all staff that purchases **must** be approved before the purchase is initiated. **This is a repeat finding for the past two years.**

Management's response:

Purchase orders are no longer pre-numbered. They must fill out a request, and have it signed by the department chairperson and principal. Then, the purchase order is assigned a number. No invoices will be paid that does not reference the purchase order number assigned for this purchase.

2013-05

According to the Red Book, Booster Clubs are to turn in names of officers at the beginning of the school year. Booster Clubs are to turn in annual budgets within the first thirty days of the school year or within thirty days of the first transaction for the group showing estimated revenues and estimated expenditures by category. Additionally, an annual financial report should be obtained from each Booster Club by July 25 of each year, for the year ended June 30. The High School did not obtain all of the information required by the Red Book. Management should meet with the leaders of each Booster Club reminding them of the requirements and obtain all data for each fiscal year as required. **This is a repeat finding from last year.**

Management's response:

Working closely to make sure all booster clubs complete and return all reports in a timely manner. Checking in with the office by email once per month to voice concerns and comments.

2013-06

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "Teachers/sponsors/students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money. Generally, all monies collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected." The Treasurer is not depositing money on a daily basis. Testing disclosed some receipts were not deposited for 8 days. Money from sporting events is not being deposited timely. The Treasurer should deposit all money turned in on a daily basis. If assistance is needed in order for this to occur, the Principal may want to designate someone to assist the Treasurer. **This is a repeat finding from last year.**

Management's response:

All money is deposited daily, as received.

2013-07

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "Amounts may be transferred between activity funds only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Transfer forms are not being signed properly. Some of the forms were only signed by the Treasurer. The Treasurer does not have the authority to sign transfer forms. 17 out of 76 were not signed by the Principal. 14 out of 76 were not signed by the Sponsor. The Principal should sign all transfer forms. The Sponsor of the paying fund should also sign the form. **This is a repeat finding from last year.**

Management's response:

Transfers are kept a minimum, unless necessary and all signatures are obtained as required.

2013-08

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book) "the principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales." The school is using an outdated form. As a result one of the signatures required with the new form are not being obtained. The Treasurer should copy the form from the most recent Red Book and use for all future events. **This is a repeat finding from last year.**

Management's response:

New forms are being utilized.

2013-09

In July 2103, after a teacher resigned, checks from a fundraiser were found in his desk drawer. The checks totaled \$1,374, but the cost of the fundraiser was \$1,482. It would appear the money (cash or checks) were collected and never turned in. The fundraiser lost money. There needs to be better monitoring of fundraisers, so this does not occur again.

Management's response:

Each approved fundraiser will have a worksheet attached and turned in to the bookkeeper after completion of the fundraiser.

BATE MIDDLE SCHOOL

2013-10

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "Amounts may be transferred between activity funds only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Transfer forms are not being signed properly. Some of the forms were signed by the Treasurer instead of the Sponsor. The Treasurer does not have the authority to sign transfer forms. The Sponsor of the paying fund should sign the form, 2 out of 4 were not signed by the sponsor. **This is a repeat finding from last year.**

Management's response:

One of these was an accounting error, not a sponsor error, the activity sponsor was notified, when a transfer is needed the bookkeeper will have the activity sponsor authorize the transaction.

2013-11

Ticket Sale Forms are not being signed properly. Of the 35 forms, 1 was not signed by the person in charge at the time of receiving the tickets and start up money, 5 were not signed by the person in charge at the time of turning in the tickets and money, 4 were not signed by the ticket taker. The Treasurer should remind everyone involved to sign in the proper place and at the proper time. **This is a repeat finding from last year.**

Management's response:

BMS will review this will all coaches, BMS notified all coaches of the need for these signatures during the initial coaches meeting this year, we will continue reviewing this, and will continue to check all forms for signatures, especially when they receive the start-up dollars for this fiscal year.

2013-12

According to the "Accounting Procedures for Kentucky school Activity Funds: (the Red Book), funds raised by/for students are to be spent only for students. The school purchased staff and guest lunches from the general account. These can only be purchased from a staff account.

Management's response:

The money in this account previously included interest which per your direction (the finance officer) we will transfer to the general student account moving forward. The money in the account is staff generated, as well as from items that Chuck Stallard, retired now but was the district person over buildings and materials sold such as old furniture and metal supplies that have been taken to the recycle center. We will ensure moving forward that no student generated funds or interest are in this account.

2013-13

All money is to be turned in daily to the school treasurer. There was one girls basketball game on September 7, 2013, when the deposit was not made until September 19, 2012, 12 days later. This is an unacceptable delay in turning money in.

Management's response: BMS will keep on top of this by the bookkeeper. This should not happen in the future.

EDNA L. TOLLIVER ELEMENTARY

2013-14

Testing disclosed one (1) check with no signature. The Treasurer should confirm there are two signatures on the check before disbursing it.

Management's response:

The bookkeeper and principal will review each check to make sure 2 signatures are attached before a check is sent out for payment.

2013-15

The school changed Purchase Order forms in May. The new form does not meet minimum requirements. The form does not have a "requested by" line, it does not have a line for the activity account charged and it does not have a place for the date of the Purchase Order. The Treasurer should review the Purchase Order form in the Red Book and confirm the Purchase Order form being used complies with all requirements. **This is a repeat finding from last year.**

Management's response:

The bookkeeper and principal will review the PO form in the Red Book and make all required. New PO Forms will be ordered immediately with all required changes made, the principal will review the new forms with the staff.

2013-16

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "Amounts may be transferred between activity funds only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Transfer forms are not being signed properly. Some of the forms were only signed by the Treasurer instead of the Sponsor. The Treasurer does not have the authority to sign transfer forms. The Principal should sign all forms. The Sponsor of the paying fund should also sign the form. Six of 37 were not signed by the Principal. Three of 37 forms were not found. Administration should review the Red Book procedures for transfers and comply.

Management's response:

The principal and Bookkeeper will review the Red Book procedures, compare the forms signed and unsigned, then comply with the Red Book procedures for completion of the Transfer Form.

2013-17

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed 5 out of 16 did not have a sponsor approval. One disbursement did not have a vendor invoice. Management should remind teachers/sponsors who are requesting POs to sign the PO. No disbursements should be made without a vendor or standard invoice.

Management's response:

The bookkeeper and principal will review current PO form, make appropriate changes and comply with all procedures according to the Red Book. The principal will review procedures with the staff at a faculty meeting.

2013-18

The bookkeeper is not always signing and dating multiple receipt forms. All forms should be signed and dated where appropriate.

Management's response:

The bookkeeper and the principal will read and comply with the Red Book procedures on signing and dating multiple receipt forms. Principal will review the form and procedures with the staff at a faculty meeting.

JENNIE ROGERS ELEMENTARY

2013-19

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." The Sponsor is not signing the Purchase Order, only the Principal. The Sponsor should sign all Purchase Orders that will be paid from their fund.

Management's response:

We were not aware the sponsor had to initiate the purchase order since most of our funds are not associated with a sponsor. However, we will make sure we do that in the future.

2013-20

Student generated money can only be spent for student related expenses. The school purchased a "board member basket" which consisted of a T-shirt and an O'Charley's gift card from the general fund. This expenditure should have been purchased from a staff account.

Management's response:

Yes, you are correct. Next year we will make sure we have separate staff funds to cover the purchases for board member yearly gifts.

MARY G. HOGSETT ELEMENTARY

2013-21

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "Amounts may be transferred between activity funds only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Transfer forms are not being signed properly. Some of the forms were signed by the Treasurer instead of the Sponsor. The Treasurer does not have the authority to sign transfer forms. The Principal should sign all forms. The Sponsor of the paying fund should also sign the form. Four of ten forms did not have the amount to be transferred on the form. Administration should review the Red Book procedures for transfers and comply.

Management's response:

Redbook procedures will be reviewed with staff to ensure compliance is met on fund transfers.