

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Board of Education and Administrative Staff

**Financial Section**

Independent Auditors' Report 1

Management's Discussion and Analysis 4

**Government - Wide Financial Statements**

Statement of Net Position 13

Statement of Activities 14

**Governmental Funds Financial Statements**

Balance Sheet – Governmental Funds 15

Reconciliation of the Balance Sheet – Governmental Funds to the  
Statement of Net Position 16

Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds 17

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds to the  
Statement of Activities 18

**Proprietary Fund Financial Statements**

Statement of Net Position – Proprietary Fund 19

Statement of Revenues, Expenses and Changes in Net  
Position – Proprietary Fund 20

Statement of Cash Flows – Proprietary Fund 21

**Fiduciary Funds Financial Statement**

Statement of Fiduciary Net Position 23

**Notes to Financial Statements 24**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Required Supplementary Information**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	52
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue	53
Note to Required Supplementary Information – Budget and Actual	54
Defined Benefit Plans	
Schedule of Proportionate Share of Net Pension Liability (CERS)	55
Schedule of Required Contributions to Pension Plan (CERS)	56
Schedule of Proportionate Share of Net Pension Liability (KTRS)	57
Schedule of Required Contributions to Pension Plans (KTRS)	58
Notes to Required Supplementary Information – Pension Plans	59

**Other Supplementary Information**

Combining Balance Sheet – Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	62
Combining Statement of Revenues and Expenditures – Agency Funds	63
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67

**Internal Control and Compliance**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	70
Schedule of Findings and Questioned Costs	72
Summary Schedule of Prior Year Audit Findings	74

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Management Comments for Audit**

Independent Auditors' Transmittal Letter for Management Letter Comments	75
Management Letter Comments	76
Summary Schedule of Prior Year Management Letter Comments	78

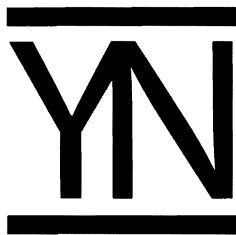
**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
JUNE 30, 2017**

**BOARD OF EDUCATION**

Tracy Overby, Chairperson  
Vicki Allen, Vice Chairperson  
Wes Ausenbaugh, Member  
Lindsey Morgan, Member  
Steve Morse, Member

**ADMINISTRATIVE STAFF**

Leonard Whalen – Superintendent  
Jennifer A. Bruce – Treasurer and Secretary



**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Dawson Springs Independent School District  
Dawson Springs, 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 Dawson Springs Independent School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 District'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 District'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 Dawson Springs Independent School District as of June 30, 2017, 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, budgetary comparison information, and pension information on pages 4-12, 52-60, and 61-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of Dawson Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Dawson Springs Independent School District's internal control over financial reporting and compliance.

York, Neel & Associates, LLP

A handwritten signature in cursive script that reads "York, Neel & Associates LLP".

Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

As management of the Dawson Springs Independent School District (the “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, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$1,691,538, as compared with the beginning cash balance of \$1,438,358. The ending cash balance consisted of General Fund of \$1,386,774, Special Revenue Fund of \$(17,294), Other Governmental Funds of \$29,631, Food Service Fund of \$195,020, and School Activity Funds of \$97,407.
- The General Fund had \$5,225,367 in revenues, which primarily consisted of the state program (SEEK) funds, property, utilities, and motor vehicle taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased in comparison to prior year revenues of \$4,906,220. Excluding interfund transfers, there was \$5,044,324 in General Fund expenditures. This compares to \$5,038,880 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$1,343,717 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, debt service, and technology. A like amount of expenses is also recorded in the financial statements.

**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) government-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.

**Government-wide financial statements** – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary fund is food service. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 52.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,361,211 as of June 30, 2017.

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any outstanding related debt used to acquire those assets. 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.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

Following is a summary of the District's government-wide net position for the fiscal years ended June 30, 2017 and 2016:

**Net Position for June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>						
Current assets						
and other assets	\$ 1,482,411	\$ 1,212,860	\$ 202,964	\$ 181,771	\$ 1,685,375	\$ 1,394,631
Capital assets	6,652,373	7,050,303	62,350	60,055	6,714,723	7,110,358
<b>Total assets</b>	<b>8,134,784</b>	<b>8,263,163</b>	<b>265,314</b>	<b>241,826</b>	<b>8,400,098</b>	<b>8,504,989</b>
Deferred outflows of resources	520,122	372,902	100,092	70,968	620,214	443,870
<b>Liabilities</b>						
Current liabilities	81,481	110,215	-	-	81,481	110,215
Noncurrent obligations	5,131,676	5,232,792	392,952	362,648	5,524,628	5,595,440
<b>Total liabilities</b>	<b>5,213,157</b>	<b>5,343,007</b>	<b>392,952</b>	<b>362,648</b>	<b>5,606,109</b>	<b>5,705,655</b>
Deferred inflows of resources	38,511	57,667	14,481	17,933	52,992	75,600
<b>Net position</b>						
Investment in capital assets, net of related debt	2,984,466	3,081,936	62,350	60,055	3,046,816	3,141,991
Restricted	29,631	-	-	-	29,631	-
Unrestricted	389,141	153,455	(104,377)	(127,842)	284,764	25,613
<b>Total net position</b>	<b>\$ 3,403,238</b>	<b>\$ 3,235,391</b>	<b>\$ (42,027)</b>	<b>\$ (67,787)</b>	<b>\$ 3,361,211</b>	<b>\$ 3,167,604</b>

**Change in net position.** The District's governmental activities net position increased by \$167,847. The business-type activities net position increased by \$25,760.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the state. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$182,342. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

Following is a summary of changes in the District's net position for the years ended June 30, 2017 and 2016:

**Changes in Net Position for the Fiscal Years Ended June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
Program revenues:						
Operating grants and contributions	\$ 1,798,371	\$ 1,718,555	\$ 437,885	\$ 416,914	\$ 2,236,256	\$ 2,135,469
Capital grants and contributions	-	189,765	-	-	-	189,765
Charges for services	-	-	37,533	39,189	37,533	39,189
General revenues:						
Property taxes	413,865	394,029	-	-	413,865	394,029
Other taxes	218,788	200,320	-	-	218,788	200,320
Investment earnings	8,855	270	886	24	9,741	294
State aid	3,986,492	3,519,282	89,662	75,680	4,076,154	3,594,962
Other	32,332	(114,190)	387	(977)	32,719	(115,167)
<b>Total revenues</b>	<u>6,458,703</u>	<u>5,908,031</u>	<u>566,353</u>	<u>530,830</u>	<u>7,025,056</u>	<u>6,438,861</u>
<b>Expenses:</b>						
Instruction	3,949,327	3,907,977	-	-	3,949,327	3,907,977
Student support services:	179,378	188,247	-	-	179,378	188,247
Instructional support	160,689	149,276	-	-	160,689	149,276
District administration	327,711	335,716	-	-	327,711	335,716
School administration	400,799	378,811	-	-	400,799	378,811
Business support	275,282	140,642	-	-	275,282	140,642
Plant operations	540,670	547,700	-	-	540,670	547,700
Student transportation	144,271	152,618	-	-	144,271	152,618
Community services	182,040	174,283	-	-	182,040	174,283
Interest on long-term debt	130,689	263,640	-	-	130,689	263,640
Bond issuance costs	-	-	-	-	-	-
Food service	-	-	540,593	552,294	540,593	552,294
<b>Total expenses</b>	<u>6,290,856</u>	<u>6,238,910</u>	<u>540,593</u>	<u>552,294</u>	<u>6,831,449</u>	<u>6,791,204</u>
<b>Increase (Decrease) in net position</b>	<u>\$ 167,847</u>	<u>\$ (330,879)</u>	<u>\$ 25,760</u>	<u>\$ (21,464)</u>	<u>\$ 193,607</u>	<u>\$ (352,343)</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,409,082, an increase of \$269,392 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2017 and 2016.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

Following is a summary of fund balances for the fiscal years ended June 30, 2017 and 2016:

**Governmental Funds Balances as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>Governmental Funds</b>			
General Fund	\$ 1,379,451	\$ 1,139,690	\$ 239,761
Special Revenue Fund	-	-	-
Building Fund	151	-	151
Capital Outlay	29,480	-	29,480
Debt Service Fund	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total governmental funds</b>	<u><u>\$ 1,409,082</u></u>	<u><u>\$ 1,139,690</u></u>	<u><u>\$ 269,392</u></u>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,326,183, while total fund balance reached \$1,379,451. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 26.29% of total General Fund expenditures, while total fund balance represents 27.35% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$239,761. Revenues and transfers totaling \$5,298,118 increased by \$225,390, while expenditures and transfers totaling \$5,058,357 increased by \$5,760.



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the budgets of the District’s funds are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of \$563,934 or 11.07%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$1,075,842 of state payments on-behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2017, excluding interfund transfers, beginning balances, and on-behalf payments, were \$4,159,160; compared to the total budgeted revenues of \$3,959,976.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2017, excluding interfund transfers and on-behalf payments, were \$3,978,117; compared to the total budgeted expenditures of \$5,076,042.
- The fund balance at the end of the 2017 fiscal year for all Governmental Funds was \$1,409,082 compared to \$1,139,690 in the prior year.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local, and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2017, the District had \$6,714,723 invested in capital assets net of depreciation: historical costs totaled \$13,525,290 with accumulated depreciation totaling \$6,810,567. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Expenditures for acquisitions and improvements during the year totaled \$24,424. Depreciation charged to expense during the year totaled \$420,059, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2017 and 2016.

**Net Capital Assets for the Fiscal Years Ended June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 495,114	\$ 495,114	\$ -	\$ -	\$ 495,114	\$ 495,114
Land improvements	66,404	94,010	-	-	66,404	94,010
Building and improvements	5,863,756	6,143,743	905	987	5,864,661	6,144,730
Technology equipment	126,294	188,407	1,130	1,641	127,424	190,048
General equipment	42,745	51,613	-	-	42,745	51,613
Vehicles	58,060	77,416	-	-	58,060	77,416
Food service equipment	-	-	60,315	57,427	60,315	57,427
Total	<u>\$ 6,652,373</u>	<u>\$ 7,050,303</u>	<u>\$ 62,350</u>	<u>\$ 60,055</u>	<u>\$ 6,714,723</u>	<u>\$ 7,110,358</u>

**Long term debt** – The District’s long-term general obligation bonds outstanding at June 30, 2017 were \$3,660,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$1,647,383 of the bonds leaving the District to pay \$2,034,176. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses, will decrease as the leases are paid down. Long-term debt also includes the Annexation Note Payable in the amount of \$21,559.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

## **OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

## **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 797-3811 ext. 5002 or by mail at 118 East Arcadia Avenue, Dawson Springs, KY 42408.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,416,405	\$ 195,020	\$ 1,611,425
Accounts receivable:			
Taxes	-	-	-
Intergovernmental - indirect federal	66,006	-	66,006
Inventory	-	7,944	7,944
Capital assets:			
Non-depreciable	495,114	-	495,114
Depreciable (net)	6,157,259	62,350	6,219,609
Total assets	8,134,784	265,314	8,400,098
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension amounts	389,820	100,092	489,912
Deferred amount on debt refundings	130,302	-	130,302
Total deferred outflows of resources	520,122	100,092	620,214
<b>LIABILITIES</b>			
Cash overdraft	17,294	-	17,294
Unearned revenue	48,712	-	48,712
Interest payable	15,475	-	15,475
Noncurrent obligations			
Portion due or payable within one year:			
Bonds payable	295,770	-	295,770
Capital lease obligations	8,018	-	8,018
Note payable	10,770	-	10,770
Compensated absences	7,323	-	7,323
Portion due or payable after one year:			
Bonds payable	3,355,811	-	3,355,811
Capital lease obligations	8,308	-	8,308
Note payable	10,789	-	10,789
Compensated absences	103,864	950	104,814
Net pension liability	1,331,023	392,002	1,723,025
Total liabilities	5,213,157	392,952	5,606,109
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension amounts	38,511	14,481	52,992
Total deferred inflows of resources	38,511	14,481	52,992
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,984,466	62,350	3,046,816
Unrestricted	389,141	(104,377)	284,764
Total net position	\$ 3,403,238	\$ (42,027)	\$ 3,361,211

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
<b>Current:</b>					
Instruction	\$ 3,949,327	\$ -	\$ 1,420,200	\$ -	\$ (2,529,127)
Support services:					
Student	179,378	-	7,776	-	(171,602)
Instructional staff	160,689	-	48,006	-	(112,683)
District administration	327,711	-	78,063	-	(249,648)
School administration	400,799	-	71,955	-	(328,844)
Business	275,282	-	38,442	-	(236,840)
Plant operation and maintenance	540,670	-	37,189	-	(503,481)
Student transportation	144,271	-	17,394	-	(126,877)
Community service activities	182,040	-	79,347	-	(102,693)
Interest on long-term debt	130,689	-	-	-	(130,689)
<b>Total governmental activities</b>	<b>6,290,856</b>	<b>-</b>	<b>1,798,371</b>	<b>-</b>	<b>(4,492,485)</b>
<b>Business-Type Activities:</b>					
Food service	540,593	37,533	437,885	-	(65,175)
<b>Total business-type activities</b>	<b>540,593</b>	<b>37,533</b>	<b>437,885</b>	<b>-</b>	<b>(65,175)</b>
<b>Total activities</b>	<b>\$ 6,831,449</b>	<b>\$ 37,533</b>	<b>\$ 2,236,256</b>	<b>\$ -</b>	<b>\$ (4,557,660)</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Changes in Net Position</b>					
Net revenues (expenses)			\$ (4,492,485)	\$ (65,175)	\$ (4,557,660)
<b>General Revenues</b>					
Taxes:					
Property			413,865	-	413,865
Motor vehicle			80,022	-	80,022
Utilities			126,366	-	126,366
Other			12,400	-	12,400
Investment earnings			8,855	886	9,741
State aid			3,986,492	89,662	4,076,154
Gain (loss) on sale of fixed assets			28	-	28
Miscellaneous			32,304	387	32,691
<b>Total general revenues</b>			<b>4,660,332</b>	<b>90,935</b>	<b>4,751,267</b>
<b>Change in net position</b>			<b>167,847</b>	<b>25,760</b>	<b>193,607</b>
<b>Net position, July 1, 2016</b>			<b>3,235,391</b>	<b>(67,787)</b>	<b>3,167,604</b>
<b>Net position, June 30, 2017</b>			<b>\$ 3,403,238</b>	<b>\$ (42,027)</b>	<b>\$ 3,361,211</b>

See accompanying notes to financial statements

## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,386,774	\$ -	\$ 29,631	\$ 1,416,405
Accounts receivable:				
Taxes	-	-	-	-
Intergovernmental - indirect federal	-	66,006	-	66,006
Total assets	<u>\$ 1,386,774</u>	<u>\$ 66,006</u>	<u>\$ 29,631</u>	<u>\$ 1,482,411</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accrued sick leave	\$ 7,323	\$ -	\$ -	\$ 7,323
Cash overdraft	-	17,294	-	17,294
Unearned revenue	-	48,712	-	48,712
Total liabilities	<u>7,323</u>	<u>66,006</u>	<u>-</u>	<u>73,329</u>
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	29,631	29,631
Committed	7,110	-	-	7,110
Assigned	46,158	-	-	46,158
Unassigned	1,326,183	-	-	1,326,183
Total fund balances	<u>1,379,451</u>	<u>-</u>	<u>29,631</u>	<u>1,409,082</u>
Total liabilities and fund balances	<u>\$ 1,386,774</u>	<u>\$ 66,006</u>	<u>\$ 29,631</u>	<u>\$ 1,482,411</u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Total fund balance per fund financial statements		\$ 1,409,082
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$13,289,210 and the accumulated depreciation is \$6,636,837.		6,652,373
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources		130,302
Pension related items		
Deferred outflow of resources		389,820
Deferred inflow of resources		(38,511)
Net pension liability		(1,331,023)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	\$ (3,651,581)	
Lease obligations	(16,326)	
Note payable	(21,559)	
Interest payable on bonds	(15,475)	
Noncurrent portion of accumulated sick leave	(103,864)	(3,808,805)
Net position for governmental activities		<u><u>\$ 3,403,238</u></u>

See accompanying notes to financial statements



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 379,038	\$ -	\$ 34,827	\$ 413,865
Motor vehicle	80,022	-	-	80,022
Utilities	126,366	-	-	126,366
Other	12,400	-	-	12,400
Earnings on investments	8,855	-	-	8,855
Other local revenues	27,805	4,500	-	32,305
Intergovernmental - state	4,590,881	296,252	461,819	5,348,952
Intergovernmental - federal	-	435,912	-	435,912
<b>Total revenues</b>	<b>5,225,367</b>	<b>736,664</b>	<b>496,646</b>	<b>6,458,677</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,065,936	582,284	-	3,648,220
Support services:				
Student	178,469	-	-	178,469
Instructional staff	115,459	41,248	-	156,707
District administration	316,766	-	-	316,766
School administration	416,827	-	-	416,827
Business	235,867	39,415	-	275,282
Plant operations and maintenance	511,542	-	-	511,542
Student transportation	117,306	6,395	-	123,701
Community service activities	58,475	81,355	-	139,830
Debt service	27,677	-	394,292	421,969
<b>Total expenditures</b>	<b>5,044,324</b>	<b>750,697</b>	<b>394,292</b>	<b>6,189,313</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>181,043</b>	<b>(14,033)</b>	<b>102,354</b>	<b>269,364</b>
<b>Other financing sources (uses)</b>				
Proceeds from disposal of fixed assets	28	-	-	28
Operating transfers in	72,723	14,033	202,316	289,072
Operating transfers out	(14,033)	-	(275,039)	(289,072)
<b>Total other financing sources (uses)</b>	<b>58,718</b>	<b>14,033</b>	<b>(72,723)</b>	<b>28</b>
<b>Net changes in fund balances</b>	<b>239,761</b>	<b>-</b>	<b>29,631</b>	<b>269,392</b>
<b>Fund balances, July 1, 2016</b>	<b>1,139,690</b>	<b>-</b>	<b>-</b>	<b>1,139,690</b>
<b>Fund balances, June 30, 2017</b>	<b>\$ 1,379,451</b>	<b>\$ -</b>	<b>\$ 29,631</b>	<b>\$ 1,409,082</b>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balance - Total governmental funds \$ 269,392

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	\$ 11,339	
Depreciation expense	(409,269)	
Net capital outlay		(397,930)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold.

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Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Note repayments	\$ 11,403	
Bond repayments	285,000	
KISTA lease payments	16,370	312,773

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.  
These activities are:

Deferred pension amounts	\$ 13,302	
Accumulated sick leave-noncurrent portion	(35,970)	
Amortization of bond discount/premium	(14,380)	
Amortization of gain/loss on debt refunding	(910)	
Accrued interest on bonds	21,570	
Net decrease in expenditures		(16,388)

Change in net position of governmental activities	\$ 167,847
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See accompanying notes to financial statements

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2017**

	School Food Service Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 195,020
Inventory	7,944
	<hr/>
Total current assets	202,964
	<hr/>
Noncurrent assets	
Capital assets	236,081
Less: accumulated depreciation	(173,731)
	<hr/>
Total noncurrent assets	62,350
	<hr/>
Total assets	265,314
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension amounts	100,092
	<hr/>
Total deferred outflows of resources	100,092
	<hr/>
<b>LIABILITIES</b>	
Accrued salaries and benefits	-
	<hr/>
Total current liabilities	-
	<hr/>
Long-term liabilities	
Compensated absences	950
Net pension liability	392,002
	<hr/>
Total long-term liabilities	392,952
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension amounts	14,481
	<hr/>
Total deferred inflows of resources	14,481
	<hr/>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	62,350
Unrestricted	(104,377)
	<hr/>
Total net position	\$ (42,027)
	<hr/>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	School Food Service Fund
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$ 37,533
Other revenue	387
<b>Total operating revenues</b>	<u>37,920</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	248,377
Materials and supplies	275,313
Depreciation	10,790
Contract services	6,113
<b>Total operating expenses</b>	<u>540,593</u>
<b>Operating income (loss)</b>	<u>(502,673)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants	397,946
Donated commodities	39,939
State grants	4,128
State on-behalf payments	85,534
Interest income	886
<b>Total non-operating revenues (expenses)</b>	<u>528,433</u>
<b>Change in net position</b>	25,760
<b>Net position, July 1, 2016</b>	<u>(67,787)</u>
<b>Net position, June 30, 2017</b>	<u><u>\$ (42,027)</u></u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	School Food Service Fund
<b>Cash flows from operating activities</b>	
Cash received from:	
Lunchroom sales	\$ 37,533
Cash paid to/for:	
Employees	(165,115)
Supplies	(236,665)
Contract services	(6,113)
	<u>(369,973)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(369,973)</u>
<b>Cash flows from noncapital financing activities</b>	
Government grants	<u>402,074</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>402,074</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	<u>(13,085)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(13,085)</u>
<b>Cash flows from investing activities</b>	
Receipt of interest income	<u>886</u>
<b>Net cash provided (used) by investing activities</b>	<u>886</u>
Net increase (decrease) in cash and cash equivalents	19,902
Balances, beginning of year	<u>175,118</u>
Balances, end of year	<u><u>\$ 195,020</u></u>

continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS, continued**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	School Food Service Fund
	<hr/>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (502,673)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>	
Depreciation	10,790
Donated commodities	39,939
State on-behalf payments	85,534
Change in assets and liabilities:	
Accounts receivable	-
Inventory	(1,291)
Deferred pension amounts	(2,397)
Compensated absences	125
	<hr/>
<b>Net cash provided (used) by operating activities</b>	<b><u><u>\$ (369,973)</u></u></b>
 <b>Schedule of non-cash transactions:</b>	
Donated commodities received from Federal government	\$ 39,939
On-behalf payments	85,534

See accompanying notes to financial statements

## **FIDUCIARY FUNDS FINANCIAL STATEMENT**



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2017**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 97,407
Total assets	<u>97,407</u>
<b>LIABILITIES</b>	
Due to student groups	<u>97,407</u>
Total liabilities	<u>97,407</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

## **NOTES TO FINANCIAL STATEMENTS**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Dawson Springs 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 Dawson Springs Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit in any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. On January 13, 1992, the Dawson Springs, Kentucky Board of Education resolved to authorize the establishment of the Dawson Springs Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Dawson Springs Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

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

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by 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 Statement**

Fund financial statements report detailed information about the District. The focus of governmental 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**Governmental Funds**

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

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue Fund* 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.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

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

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

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

**Proprietary Funds**

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

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

Fiduciary Funds

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

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

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are 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 to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

Unearned Revenue

Unearned 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 unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2017, to finance the General Fund operations were \$.710 per \$100 valuation for real property, \$.710 per \$100 valuation for business tangible personal property, and \$.687 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 furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash 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.

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. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2017. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statements of cash flows.

Investments

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITS), derivatives, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and security pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Comingled assets that are not traded on a national exchange are valued by the comingled manager. The District had no investments at June 30, 2017 that met these criteria.



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Prepaid Expenditures**

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

**Inventories**

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

**Restricted Assets**

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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 interfund balances.

**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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of real property for which there is no threshold. 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 except land and construction in progress 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:

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

<u>Description</u>	<u>Estimated Lives For Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10-15 years

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-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, and contractually required pension contributions 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.

**Debt Premium and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Compensated Absences

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

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fund Balances**

In the fund financial statements, governmental fund balances as classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned, and then unassigned fund balances.

**Net Position**

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Subsequent Events

Subsequent events have been evaluated through November 14, 2017, which is the date the financial statements were available to be issued.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year end, the carrying amount of the District's deposits was \$1,691,538 and the bank balance was \$1,754,505. Of the District's bank balance, \$250,000 was covered by Federal Deposit Insurance, with the remaining balance of \$1,504,505 collateralized as discussed above.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 1,399,111
Proprietary funds	195,020
Fiduciary funds	<u>97,407</u>
Total	<u><u>\$ 1,691,538</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2017, was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 495,114	\$ -	\$ -	\$ 495,114
Total nondepreciable historical cost	<u>495,114</u>	<u>-</u>	<u>-</u>	<u>495,114</u>
Capital assets depreciated:				
Land improvements	565,916	-	-	565,916
Buildings and improvements	10,393,152	-	-	10,393,152
Technology equipment	1,025,056	11,339	-	1,036,395
General equipment	230,773	-	-	230,773
Vehicles	<u>567,860</u>	<u>-</u>	<u>-</u>	<u>567,860</u>
Total depreciable historical cost	<u>12,782,757</u>	<u>11,339</u>	<u>-</u>	<u>12,794,096</u>
Less: accumulated depreciation				
Land improvements	471,906	27,606	-	499,512
Building and improvements	4,249,409	279,987	-	4,529,396
Technology equipment	836,649	73,452	-	910,101
General equipment	179,160	8,868	-	188,028
Vehicles	<u>490,444</u>	<u>19,356</u>	<u>-</u>	<u>509,800</u>
Total accumulated depreciation	<u>6,227,568</u>	<u>409,269</u>	<u>-</u>	<u>6,636,837</u>
Total depreciable historical cost - net	<u>6,555,189</u>	<u>(397,930)</u>	<u>-</u>	<u>6,157,259</u>
Governmental activities capital assets - net	<u>\$ 7,050,303</u>	<u>\$ (397,930)</u>	<u>\$ -</u>	<u>\$ 6,652,373</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

Instruction	\$ 301,181
Support services:	
Student	909
Instructional staff	3,982
District administration	10,946
School administration	343
Business	-
Plant operation and maintenance	29,128
Student transportation	20,570
Community service	<u>42,210</u>
	<u><u>\$ 409,269</u></u>

	<b>Balance</b>			<b>Balance</b>
<b>Business-Type Activities</b>	<b>July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2017</b>
Capital assets depreciated:				
Buildings and improvements	\$ 2,010	\$ -	\$ -	\$ 2,010
Technology equipment	7,451	-	-	7,451
Food service equipment	<u>213,534</u>	<u>13,085</u>	<u>-</u>	<u>226,619</u>
Total depreciable historical cost	<u>222,995</u>	<u>13,085</u>	<u>-</u>	<u>236,080</u>
Less: accumulated depreciation				
Buildings and improvements	1,024	81	-	1,105
Technology equipment	5,810	511	-	6,321
Food service equipment	<u>156,106</u>	<u>10,198</u>	<u>-</u>	<u>166,304</u>
Total accumulated depreciation	<u>162,940</u>	<u>10,790</u>	<u>-</u>	<u>173,730</u>
Business-type activities capital assets - net	<u><u>\$ 60,055</u></u>	<u><u>\$ 2,295</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,350</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the dates and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Balance June 30, 2017</u>
Issue of 2014	\$ 2,750,000	2029	2.25%-6.40%	\$ 2,270,000
Issue of 2015	1,440,000	2026	2.00%	1,390,000

**Annexation Agreement**

On June 16, 1998, the Dawson Springs Independent School District annexed the remaining property in the City of Dawson Springs that was previously included in the Hopkins County School District. In consideration of the territory transfer, Dawson Springs Independent School District assumed responsibility for and services of a portion of the debt relating to bond issues of the Hopkins County School District.

**Participation Agreements**

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund.

The bonds may be called prior to maturity and redemption premiums 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, 2017, for debt service (principal and interest) and the annexation agreement are as follows:

<u>Year</u>	<u>Dawson Springs Independent School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 144,795	\$ 50,085	\$ 150,975	\$ 32,630	\$ 378,485
2019	150,428	48,512	150,361	29,793	379,094
2020	139,465	46,908	155,535	26,907	368,815
2021	139,111	45,306	160,889	23,918	369,224
2022	138,132	42,434	161,868	20,670	363,104
2023-2027	813,432	143,716	811,568	50,710	1,819,426
2028-2030	508,813	24,748	56,187	2,272	592,020
	<u>\$ 2,034,176</u>	<u>\$ 401,709</u>	<u>\$ 1,647,383</u>	<u>\$ 186,900</u>	<u>\$ 4,270,168</u>



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

The changes in outstanding debt are as follows:

	Balance July 1, 2016	New Issues/ Adjustments	Debt Payments/ Adjustments	Balance June 30, 2017	Amounts Due in One Year
Bonds payable:					
Revenue bonds	\$ 3,945,000	\$ -	\$ 285,000	\$ 3,660,000	\$ 295,770
Premium (discount)	(9,329)	-	(910)	(8,419)	-
Total bonds payable	3,935,671	-	284,090	3,651,581	295,770
Other liabilities:					
Annexation note payable	32,962	-	11,403	21,559	10,770
Capital leases	32,696	-	16,370	16,326	8,018
Compensated absences					
Governmental	67,894	43,293	-	111,187	7,323
Business-type	825	125	-	950	-
Total other liabilities	134,377	43,418	27,773	150,022	26,111
Total long-term obligations	<u>\$ 4,070,048</u>	<u>\$ 43,418</u>	<u>\$ 311,863</u>	<u>\$ 3,801,603</u>	<u>\$ 321,881</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

**NOTE 5 – CAPITAL LEASES**

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases school buses and technology equipment pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicle	\$ 157,901	\$ 137,685
Technology	120,000	120,000

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL LEASES, continued**

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2017 are, as follows.

Year Ending	KISTA 2009 lease	Total payments
2018	\$ 8,639	\$ 8,639
2019	8,631	8,631
Total minimum lease payments	17,270	17,270
Lease amount representing interest	944	944
Present value of net minimum lease payments	<u>\$ 16,326</u>	<u>\$ 16,326</u>

During the year ended June 30, 2017, the following changes occurred in the capital lease obligations:

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Due in One Year
KISTA 2007	\$ 6,999	\$ -	\$ 6,999	\$ -	\$ -
KISTA 2009	25,697	-	9,371	16,326	8,018
	<u>\$ 32,696</u>	<u>\$ -</u>	<u>\$ 16,370</u>	<u>\$ 16,326</u>	<u>\$ 8,018</u>

**NOTE 6 – COMPENSATED ABSENCES**

Upon retirement the school system employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the amount for governmental activities will be approximately \$111,187 with \$7,323 considered the short-term portion. Management has estimated that the amount for business-type activities will be approximately \$950.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – FUND BALANCE REPORTING**

Following is a summary of designations of fund balance at June 30, 2017:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
SFCC escrow	-	-	-	-
Construction	-	-	29,631	29,631
Committed:				
Site-based carry forward	7,110	-	-	7,110
Assigned:				
Equipment purchase	46,158	-	-	46,158
Unassigned	<u>1,326,183</u>	<u>-</u>	<u>-</u>	<u>1,326,183</u>
	<u>\$ 1,379,451</u>	<u>\$ -</u>	<u>\$ 29,631</u>	<u>\$ 1,409,082</u>

**NOTE 8 – TRANSFER OF FUNDS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS matching for technology	\$ 14,033
Building	Debt Service	Bond payments	202,316
Building	General	Capital projects	40,246
Construction	General	Insurance	<u>32,477</u>
			<u>\$ 289,072</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2017:

Health insurance	\$ 684,993
Life insurance	1,133
Administrative fee	9,015
Health reimbursement account - HRA/dental/vision	<u>43,838</u>
	738,979
Federal reimbursements of health benefits	<u>(62,822)</u>
	676,157
Kentucky Teacher's Retirement System	430,113
Technology	45,471
KISTA	9,635
Debt Service	<u>182,341</u>
	<u><u>\$ 1,343,717</u></u>

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities:	
General Fund	\$ 1,066,207
Debt Service Fund	191,976
Business-type activities	
Food Service Fund	<u>85,534</u>
	<u><u>\$ 1,343,717</u></u>

**NOTE 10 – PENSION PLANS**

The District's employees are provided with two pensions based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan description* – Employees whose positions do not require a college degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years' old
	Reduced retirement	At least 5 years' service and 55 years' old At least 25 years' service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years' old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years' service and 60 years' old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	<u>Required contributions</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

**General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")**

*Plan description* – Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided* – For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

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

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.0% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

*Plan description* – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund 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 Kentucky 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 employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees 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-retirement healthcare benefit, three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation, and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the District were as follows:

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

District's proportionate share of the CERS net pension liability	\$ 1,723,025
Commonwealth's proportionate share of the KTRS net pension liability associated with the District.	<u>26,140,046</u>
	<u><u>\$ 27,863,071</u></u>

The net pension liability of the plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was .03500%.

For the year ended June 30, 2017, the District recognized pension expense of \$235,941 related to CERS and \$1,075,842 related to KTRS. The District also recognized revenue of \$1,075,842 for KTRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>County Employees Retirement System (CERS)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,625	\$ -
Change of assumptions	165,313	-
Net differences between projected and actual earnings on pension plan investments	137,790	50,400
Changes in proportion and difference between District contributions and proportionate share of contributions	12,456	2,592.00
District contributions subsequent to the measurement date	<u>160,728</u>	<u>-</u>
Total	<u><u>\$ 489,912</u></u>	<u><u>\$ 52,992</u></u>

The amount of \$160,728 reported as deferred outflows of resources related to CERS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

Year 1	\$ 66,240
Year 2	66,240
Year 3	91,440
Year 4	52,270
Year 5	-

*Actuarial assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.00-8.20%
Investment rate of return, net of investment expense and inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumption used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Measurement Period	
	2016	
	Target Allocation	Long-term Expected Real Rate of Return
Combined equity	44.00%	5.40%
Combined fixed income	19.00%	1.50%
Real return (diversified inflation strategies)	10.00%	3.50%
Real estate	5.00%	4.50%
Absolute return (diversified hedge funds)	10.00%	4.25%
Private equity	10.00%	8.50%
Cash equivalent	2.00%	-0.25%
Total	100.00%	

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

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

Measurement Period		
2016		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S equity	45.00%	6.40%
Non U.S. equity	17.00%	6.50%
Fixed income	24.00%	1.60%
High yield bonds	4.00%	3.10%
Real estate	4.00%	5.80%
Alternatives	4.00%	6.80%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Discount rate* – For CERS, the discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2016 and 2015 was 7.50% and 7.75%, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan employees were projected through 2117. Projected inflows from investment earnings were calculated using the long-term assumed investment return for the years ended June 30, 2016 and 2015 of 7.50% and 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS, continued**

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* – The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.50%	7.50%	8.50%
CERS			
District's proportionate share of net pension liability	\$ 2,147,469	\$ 1,723,025	\$ 1,359,640
KTRS			
District's proportionate share of net pension liability	3.88%	4.88%	5.88%
	\$ -	\$ -	\$ -

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS and KTRS.

**NOTE 11 – DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$9,482 to these plans during the year ended June 30, 2017.

**NOTE 12 – CONTINGENCIES**

Grant Programs

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 on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor 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.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 12 – CONTINGENCIES, continued**

**KSBIT**

The District was notified in FY 2014 by the Kentucky School Board Insurance Trust of an estimated liability of \$53,944 (District's share) for workers' compensation losses incurred by the Trust. In August 2014, the District received an invoice for \$53,944 which is the amount expected to satisfy the claim. The District made a down payment of \$13,486 in August 2014. The District chose to pay the remaining liability of \$40,458 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

**NOTE 13 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to, and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements

**NOTE 14 – 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 has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2017.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 16 – UPCOMING PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. This Statement establishes new accounting and financial reporting requirements of OPEB plans provided to employees of state and local governments. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies the methods and assumptions required to project benefit payments, discount projected benefit payments to actuarial present value, and attribute present value to periods of employee service. Note disclosure and required supplementary information requirements of defined benefit OPEB also are addressed. The District is currently evaluating the impact this Statement will have on the financial statements when adopted.

In March 2016, the GASB issued GASB Statement No 82 *Pension Issues – An Amendment of GASB Statements No. 67, 68 and 73*. The objective of the statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pensions Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the Scope of GASB Statement 68, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this Statement will have on the financial statements when adopted. GASB 82 is effective for fiscal years beginning after June 15, 2017.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 305,000	\$ 305,000	\$ 379,038	\$ 74,038
Motor vehicle	60,000	60,000	80,022	20,022
Utilities	65,000	65,000	126,366	61,366
Other	7,510	7,510	12,400	4,890
Earnings on investments	1,000	1,000	8,855	7,855
Other local revenues	3,500	3,500	27,805	24,305
Intergovernmental - state	3,517,966	3,517,966	3,524,674	6,708
<b>Total revenues</b>	<b>3,959,976</b>	<b>3,959,976</b>	<b>4,159,160</b>	<b>199,184</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	2,393,674	2,393,674	2,213,645	180,029
Support services:				
Student	177,903	177,903	170,693	7,210
Instructional staff	125,905	125,905	107,683	18,222
District administration	946,751	946,751	238,703	708,048
School administration	346,024	346,024	344,872	1,152
Business	185,092	185,092	235,867	(50,775)
Plant operation and maintenance	603,332	603,332	474,353	128,979
Student transportation	167,476	167,476	106,149	61,327
Community services	58,524	58,524	58,475	49
Land/Site acquisition	41,000	41,000	-	41,000
Debt service	30,361	30,361	27,677	2,684
<b>Total expenditures</b>	<b>5,076,042</b>	<b>5,076,042</b>	<b>3,978,117</b>	<b>1,097,925</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(1,116,066)</b>	<b>(1,116,066)</b>	<b>181,043</b>	<b>1,297,109</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	-	-	28	28
Operating transfers in	-	-	72,723	72,723
Operating transfers out	(14,033)	(14,033)	(14,033)	-
<b>Total other financing sources (uses)</b>	<b>(14,033)</b>	<b>(14,033)</b>	<b>58,718</b>	<b>72,751</b>
<b>Net change in fund balance</b>	<b>(1,130,099)</b>	<b>(1,130,099)</b>	<b>239,761</b>	<b>1,369,860</b>
<b>Fund balance, July 1, 2016</b>	<b>1,130,099</b>	<b>1,130,099</b>	<b>1,139,690</b>	<b>9,591</b>
<b>Fund balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,379,451</b>	<b>\$ 1,379,451</b>



**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources:				
Other local revenues	\$ -	\$ -	\$ 4,500	\$ 4,500
Intergovernmental - state	285,312	285,312	296,252	10,940
Intergovernmental - federal	427,285	427,668	435,912	8,244
<b>Total revenues</b>	<u>712,597</u>	<u>712,980</u>	<u>736,664</u>	<u>23,684</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	568,538	568,921	582,284	(13,363)
Support services:				
Instructional staff	46,737	46,737	41,248	5,489
Business	28,066	28,066	39,415	(11,349)
Student transportation	6,434	6,434	6,395	39
Community services	76,855	76,855	81,355	(4,500)
<b>Total expenditures</b>	<u>726,630</u>	<u>727,013</u>	<u>750,697</u>	<u>(23,684)</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(14,033)</u>	<u>(14,033)</u>	<u>(14,033)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	14,033	14,033	14,033	-
<b>Total other financing sources (uses)</b>	<u>14,033</u>	<u>14,033</u>	<u>14,033</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, July 1, 2016</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2017</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**BUDGETARY INFORMATION**

The District's budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General and Food Service Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**Reconciliation to the General Fund**

Revenues - budgetary basis	\$ 4,159,160
On-behalf payments	<u>1,066,207</u>
Total revenues - modified cash basis	<u><u>\$ 5,225,367</u></u>
Expenditures - budgetary basis	\$ 3,978,117
On-behalf payments	<u>1,066,207</u>
Total expenditures - modified cash basis	<u><u>\$ 5,044,324</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOLS**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**County Employees Retirement Systems**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0.035000%	0.035480%	0.034870%
District's proportionate share of the net pension liability	\$ 1,723,025	\$ 1,525,392	\$ 1,156,200
State's proportionate share of the net pension liability associated with the District	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,723,025</u>	<u>\$ 1,525,392</u>	<u>\$ 1,156,200</u>
District's covered-employee payroll	\$ 860,427	\$ 835,348	\$ 792,477
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.25%	182.61%	145.90%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED CONTRIBUTIONS**  
**County Employees Retirement System (CERS)**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
Contractually required contribution	\$ 160,728	\$ 142,510	\$ 140,032
Contributions in relation to the contractually required contribution	<u>160,728</u>	<u>142,510</u>	<u>140,032</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 860,427	\$ 835,348	\$ 792,477
Contributions as a percentage of covered-employee payroll	18.68%	17.06%	17.67%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Kentucky Teachers' Retirement System (KTRS)**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>26,140,046</u>	<u>20,203,043</u>	<u>18,144,400</u>
Total	<u>\$ 26,140,046</u>	<u>\$ 20,203,043</u>	<u>\$ 18,144,400</u>
District's covered-employee payroll	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.41%	13.69%	14.64%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED CONTRIBUTIONS**  
**Kentucky Teachers' Retirement System (KTRS)**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
Contractually required contribution - on behalf payments - KDE	\$ 430,113	\$ 417,826	\$ 427,576
Contributions in relation to the contractually required contribution	<u>430,113</u>	<u>417,826</u>	<u>427,576</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664
Contributions as a percentage of covered-employee payroll	15.81%	15.10%	16.10%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEM (NONHAZARDOUS)**

Changes of benefit terms

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- Tiered structure for benefit accrual rates
- New retirement eligibility requirements
- Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014

Changes of assumption

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEM (NONHAZARDOUS) (continued)**

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates are determined on an annual basis beginning with the fiscal year ending 2018, determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial method and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.00, average including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, Including inflation

**NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM**

Changes of benefit terms – None

Changes of assumptions

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rate of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2013 for fiscal year 2016 contributions). The following actuarial methods and assumptions were used to determined contribution rates reported in that schedule.

Actuarial cost method	Entry Age
Amortization method	Level of percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.50 percent
Salary increase	4.00 to 8.20 percent, average including inflation
Ultimate Investment rate of return*	7.50 percent, net of pension plan investment expense, Including inflation

\*The actuarially determined contribution rates are determined using the interest smoothing methodology adopted by the Board.



## **OTHER SUPPLEMENTARY INFORMATION**

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 151	\$ 29,480	\$ -	\$ 29,631
Total assets and resources	<u>\$ 151</u>	<u>\$ 29,480</u>	<u>\$ -</u>	<u>\$ 29,631</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	151	29,480	-	29,631
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>151</u>	<u>29,480</u>	<u>-</u>	<u>29,631</u>
Total liabilities and fund balances	<u>\$ 151</u>	<u>\$ 29,480</u>	<u>\$ -</u>	<u>\$ 29,631</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 34,827	\$ -	\$ -	\$ 34,827
Intergovernmental - state	207,886	61,957	191,976	461,819
<b>Total revenues</b>	242,713	61,957	\$ 191,976	496,646
<b>EXPENDITURES</b>				
Plant operation and maintenance	-	-	-	-
Building acquisition and construction	-	-	-	-
Debt service	-	-	394,292	394,292
<b>Total expenditures</b>	-	-	394,292	394,292
<b>Excess (deficit) of revenues over (under) expenditures</b>	242,713	61,957	(202,316)	102,354
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	202,316	202,316
Operating transfers out	(242,562)	(32,477)	-	(275,039)
<b>Total other financing sources (uses)</b>	(242,562)	(32,477)	202,316	(72,723)
<b>Net change in fund balances</b>	151	29,480	-	29,631
<b>Fund balances, July 1, 2016</b>	-	-	-	-
<b>Fund balances, June 30, 2017</b>	\$ 151	\$ 29,480	\$ -	\$ 29,631

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**SCHOOL ACTIVITY FUNDS - JUNIOR AND SENIOR HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2016	Receipts	Disbursements	June 30, 2017	Receivable	Payable	Student Groups
							June 30, 2017
Academic	\$ 21	\$ 16	\$ -	\$ 37	\$ -	\$ -	\$ 37
Annual Staff	8,182	6,171	5,146	9,207	-	-	9,207
Art Club	803	-	-	803	-	-	803
Athletic	13,051	27,599	28,584	12,066	-	-	12,066
Athletic banners	900	1,130	540	1,490	-	-	1,490
Back to School Bash	648	2,143	1,768	1,023	-	-	1,023
Baseball boosters	1,448	4,317	2,605	3,160	-	-	3,160
Basketball concessions	10,847	14,427	12,962	12,312	-	-	12,312
BETA Club	821	120	389	552	-	-	552
Boys basketball	2,017	8,367	7,939	2,445	-	-	2,445
Boys soccer	1,731	3,872	4,125	1,478	-	-	1,478
Cheerleading - HS	567	5,825	5,287	1,105	-	-	1,105
Life skills class	-	1,931	1,797	134	-	-	134
Field trips	-	623	623	-	-	-	-
Class of 2017	2,104	49,575	51,679	-	-	-	-
Class of 2018	729	3,966	3,858	837	-	-	837
Class of 2019	708	202	166.00	744	-	-	744
Class of 2020	293	160	35.00	418	-	-	418
Class of 2021	280	814	697.00	397	-	-	397
Class of 2022	-	122	-	122	-	-	122
Cokes - HS	1,204	983	427	1,760	-	-	1,760
Cross country	754	8,119	7,436	1,437	-	-	1,437
Drama Club	22	-	-	22	-	-	22
Environmental Club	73	-	-	73	-	-	73
Education Fund	5,198	6,121	6,430	4,889	-	-	4,889
FBLA	1,358	-	36	1,322	-	-	1,322
FCA	286	911	593	604	-	-	604

continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS - JUNIOR AND SENIOR HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Cash Balance July 1, 2016	Receipts	Disbursements	Cash Balance June 30, 2017	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2017
Girls' basketball	1,926	2,690	3,238	1,378	-	-	1,378
Golf	656	5,131	3,379	2,408	-	-	2,408
Jr. Beta Club	15	1,016	1,010	21	-	-	21
MS Academic	965	3,318	2,755	1,528	-	-	1,528
MS boys' basketball	111	1,021	800	332	-	-	332
MS cheerleaders	2,139	2,854	4,566	427	-	-	427
MS girls' basketball	1,919	974	870	2,023	-	-	2,023
Media Center	1,071	146	-	1,217	-	-	1,217
Music	13,914	37,837	46,815	4,936	-	-	4,936
Office fund	2,307	4,537	2,085	4,759	-	-	4,759
Pep Club	209	-	-	209	-	-	209
Project Prom	4,268	4,307	3,822	4,753	-	-	4,753
Softball	2,840	6,455	6,476	2,819	-	-	2,819
Spanish Club	21	-	-	21	-	-	21
Student awards	342	87	183	246	-	-	246
Track	1,454	3,216	2,942	1,728	-	-	1,728
STLP	-	492	282	210	-	-	210
Math Club	235	72	81	226	-	-	226
Bass Fishing	595	970	874	691	-	-	691
Student Ambassadors	33	-	33	-	-	-	-
Senior Special Account	-	1,866	1,866	-	-	-	-
Soccer Concessions	3,105	-	2,716	389	-	-	389
St. Jude's	-	405	405	-	-	-	-
	<u>92,170</u>	<u>224,908</u>	<u>228,320</u>	<u>88,758</u>	<u>-</u>	<u>-</u>	<u>88,758</u>
Less: Interfund Transfers	<u>-</u>	<u>(8,724)</u>	<u>(8,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 92,170</u>	<u>\$ 216,184</u>	<u>\$ 219,596</u>	<u>\$ 88,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,758</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I, Part A Cluster				
Title I Grants to Local Education Agencies	84.010	310000216 310000215	\$ 169,039 <u>73,701</u>	\$ 242,740
Career and Technical Education - Basic Grants to States	84.048	371000215 371000214	5,287 <u>162</u>	5,449
Special Education Cluster				
Special Education - Grants to States	84.027	381000216 381000215	119,407 6,807	
Special Education Preschool Grants	84.173	380000216 380000215	11,857 <u>1,901</u>	139,972
Improving Teacher Quality State Grants	84.367	323000216 323000215 323000214	1,045 24,191 <u>143</u>	25,379
Rural School	84.358	314000216 314000215	11,071 <u>11,301</u>	22,372
Total U. S. Department of Education				<u>435,912</u>
U.S. Department of Agriculture				
Passed through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005-17 7760005-16	91,601 <u>27,692</u>	119,293
National School Lunch Program	10.555	7750002-17 7750002-16	216,282 62,371	
Noncash Assistance - Commodities (Note 5)		Fund 51	<u>39,939</u>	318,592
Total U.S. Department of Agriculture				<u>437,885</u>
Total Expenditures of Federal Awards				<u>\$ 873,797</u>

See notes to Schedule of Expenditures of Federal Awards

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Dawson Springs Independent School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

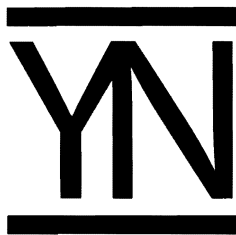
The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5 – COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

## **INTERNAL CONTROL AND COMPLIANCE**





**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Dawson Springs Independent School District  
Dawson Springs, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dawson Springs Independent School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (item 2017-001).

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Dawson Springs Independent School District in a separate report dated November 14, 2017.

## **Dawson Springs Independent School District's Response to Findings**

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

## **Purpose of this Report**

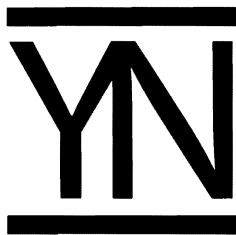
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

York, Neel & Associates, LLP

A handwritten signature in black ink that reads "York, Neel & Associates LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2017



**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Dawson Springs Independent School District  
Dawson Springs, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Dawson Springs Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Dawson Springs Independent School District's major federal programs for the year ended June 30, 2017. Dawson Springs Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards and Uniform Guidance 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, Dawson Springs Independent School 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, 2017.

### **Report on Internal Control over Compliance**

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

York, Neel & Associates, LLP



Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2017

## SUMMARY OF AUDITORS' RESULTS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY**

**2017-001 – Financial Reporting**

**Condition** – There was inadequate design of internal controls over the preparation of the financial statements of the District.

**Criteria** – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

**Effect** – There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

**Recommendation** – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

**Response** – Management outsourced the preparation of their financial statements and the related notes to York, Neel & Associates, LLP. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparation service by designating an individual within senior managements who possesses suitable technical skill, knowledge, and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditor identifies; (c) make any required management decisions; and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditor's work .

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCY**

2016-001 – Financial Reporting

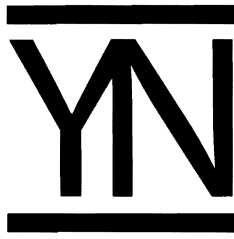
**Condition** – There was inadequate design of internal controls over the preparation of the financial statements of the District.

**Recommendation** – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements

**Current Status** – The finding was repeated for the fiscal year ending June 30, 2017.

**MANAGEMENT COMMENTS FOR AUDIT**





**YORK, NEEL & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

November 14, 2017

Members of the Board of Education  
Dawson Springs Independent School District  
Dawson Springs, Kentucky

In planning and performing our audit of the financial statements of Dawson Springs Independent School District (the "District") for the year ended June 30, 2017, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 14, 2017, contains our report on the District's internal control. This letter does not affect our report dated November 14, 2017 on the financial statements of the Dawson Springs Independent School District.

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

We performed a follow-up on the prior year finding with the status of these findings documented on page 77 of this report.

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

Respectfully,

York, Neel & Associates, LLP

Certified Public Accountants  
Hopkinsville, Kentucky

**DAWSON SPRINGS SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Dawson Springs Elementary**

- I. Condition** – Form F-SA-2B, Fundraiser Worksheet, was not completed properly.

**Recommendation** – Fundraisers where items are sold require the use and proper completion of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

**Response** – We are now following the recommendation.

**DAWSON SPRINGS INDEPENDENT SCHOOLS  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Dawson Springs Elementary**

- I. **Condition** – Cash receipts testing revealed several instances of receipts not being remitted to the Treasurer in a timely manner.

**Recommendation** – All money collected by a teacher/sponsor should be given to the school treasurer on the day collected.

**Current Status** – This finding was not repeated for fiscal year June 30, 2017.

- II. **Condition** – Disbursements testing revealed 3 checks issued without purchase orders.

**Recommendation** – The purchase order should be prepared and approved by the sponsor and principal before the payment is obligated.

**Current Status** – This finding was not repeated for fiscal year June 30, 2017.

- III. **Condition** – For concession sales, Inventory Control Worksheets were completed for only 5 months of the year and Sales Collection Forms were not signed and dated by the Treasurer.

**Recommendation** – Inventory Control Worksheets should be completed monthly and Sales Collection Forms should be properly signed and dated by preparer and Treasurer.

**Current Status** – This finding was repeated for fiscal year June 30, 2017.

**Response** – We are now following the recommendation.

**Dawson Springs Jr/Sr High School**

- I. **Condition** – Cash receipts testing revealed 7 out of 15 multiple receipt forms were signed by the Treasurer as person remitting money.

**Recommendation** – The person turning in the money should sign the multiple receipt form in addition to the Treasurer who receives the money. The Treasurer cannot both turn in and receive the money.

**Current Status** – This finding was not repeated for fiscal year June 30, 2017.

- II. **Condition** – Fundraising testing revealed that Fundraiser Worksheets were not completed and turned in to the principal timely.

**Recommendation** – The activity sponsor should complete the Fundraiser Worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

**Current Status** – This finding was not repeated for fiscal year June 30, 2017.

**DAWSON SPRINGS INDEPENDENT SCHOOLS  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Dawson Springs Jr/Sr High School, continued**

- III. Condition** – Ticket Sales testing revealed that the ticket seller and ticket taker are the same person.

**Recommendation** – The ticket seller and ticket taker should be two separate people.

**Current Status** – This finding was repeated for fiscal year June 30, 2017.

**Response** – All individuals involved with tickets will be advised to properly follow guidelines.

- IV. Condition** – Ticket Sales testing revealed that tickets for Pancake Breakfast were not pre-numbered.

**Recommendation** – Pre-numbered tickets should be used for all events for which admission is charged.

**Current Status** – This finding was not repeated for fiscal year June 30, 2017.

- V. Condition** – Review of accounts activity revealed 3 club accounts that had no activity during the year.

**Recommendation** – An activity account is considered inactive if there has been no activity during the preceding 12 months. If the student organization did not designate in writing how the unobligated remaining funds should be disposed, then the funds should be transferred to the school activity general account and used for the general benefit of all students.

**Current Status** – This finding was repeated for fiscal year June 30, 2017.

**Response** – We will talk to the sponsors, and if they do not spend their money, we will close the accounts.