

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
JUNE 30, 2019**

BOARD OF EDUCATION

Vicki Allen, Chairperson
Tracy Overby, Vice Chairperson
Wes Ausenbaugh, Member
Lindsey Morgan, Member
Kent Dillingham, Member

ADMINISTRATIVE STAFF

Leonard Whalen – Superintendent
Amanda Almon – Finance Officer

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, 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, 2019, 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 and postemployment benefits information on pages 4-12, 66-68 and 69-77 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 12, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dawson Springs Independent School District's 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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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, 2019. 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 \$1,920,583, as compared with the beginning cash balance of \$1,871,166. The ending cash balance consisted of General Fund of \$1,454,299, Special Revenue Fund of \$15,429, Other Governmental Funds of \$151, Food Service Fund of \$343,790 and School Activity Funds of \$106,914.
- The General Fund had \$5,470,933 in revenues, which primarily consisted of the state program (SEEK) funds, property, utilities, vehicle taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased in comparison to prior year revenues of \$5,596,243. Excluding interfund transfers, there was \$5,570,589 in General Fund expenditures. This compares to \$5,599,604 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$1,799,129 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, 2019**

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.

Fund financial statements – 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, 2019**

- *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 78.

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 \$912,420 as of June 30, 2019.

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, 2019**

Following is a summary of the District’s government-wide net position as of June 30, 2019 and 2018:

Net Position as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets						
and other assets	\$ 1,545,314	\$ 1,609,464	\$ 350,607	\$ 269,257	\$ 1,895,921	\$ 1,878,721
Capital assets	6,128,693	6,308,472	51,191	61,046	6,179,884	6,369,518
Total assets	7,674,007	7,917,936	401,798	330,303	8,075,805	8,248,239
Deferred outflows of resources	799,207	814,004	134,938	154,474	934,145	968,478
Liabilities:						
Current liabilities	120,751	127,097	-	-	120,751	127,097
Long-term liabilities	7,020,545	7,299,008	548,830	537,252	7,569,375	7,836,260
Total liabilities	7,141,296	7,426,105	548,830	537,252	7,690,126	7,963,357
Deferred inflows of resources	356,285	203,193	50,481	43,533	406,766	246,726
Net position:						
Investment in capital assets, net of related debt	2,935,875	2,933,360	51,191	61,046	2,987,066	2,994,406
Restricted	151	151	-	-	151	151
Unrestricted	(1,960,393)	(1,830,869)	(114,404)	(157,692)	(2,074,797)	(1,988,561)
Total net position	\$ 975,633	\$ 1,102,642	\$ (63,213)	\$ (96,646)	\$ 912,420	\$ 1,005,996

Change in net position. The District’s governmental activities net position decreased by (\$127,009), which includes the prior period adjustment of \$58,440. The business-type activities net position increased by \$33,433.

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 \$189,815. 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, 2019**

Following is a summary of changes in the District’s net position for the years ended June 30, 2019 and 2018:

Changes in Net Position for the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 2,354,327	\$ 2,347,477	\$ 475,192	\$ 454,342	\$ 2,829,519	\$ 2,801,819
Capital grants and contributions	189,815	192,750	-	-	189,815	192,750
Charges for services	-	-	46,059	33,803	46,059	33,803
General revenues:						
Property taxes	396,374	405,319	-	-	396,374	405,319
Other taxes	208,324	234,843	-	-	208,324	234,843
Investment earnings	38,601	23,451	6,564	3,038	45,165	26,489
State aid	3,590,232	3,707,046	89,358	89,619	3,679,590	3,796,665
Other	20,537	(6,619)	-	1,735	20,537	(4,884)
Total revenues	6,798,210	6,904,267	617,173	582,537	7,415,383	7,486,804
Expenses:						
Instruction	4,478,125	4,635,506	-	-	4,478,125	4,635,506
Support services:						
Student	180,353	178,547	-	-	180,353	178,547
Instructional staff	157,072	166,445	-	-	157,072	166,445
District administration	367,125	421,551	-	-	367,125	421,551
School administration	445,418	445,837	-	-	445,418	445,837
Business	306,059	249,004	-	-	306,059	249,004
Plant operations and maintenance	592,528	581,319	-	-	592,528	581,319
Student transportation	150,786	139,027	-	-	150,786	139,027
Community service activities	173,102	164,899	-	-	173,102	164,899
Interest on long-term debt	133,091	154,454	-	-	133,091	154,454
Bond issuance costs	-	-	-	-	-	-
Food service	-	-	583,740	556,487	583,740	556,487
Total expenses	6,983,659	7,136,589	583,740	556,487	7,567,399	7,693,076
Increase (Decrease) in net position	\$ (185,449)	\$ (232,322)	\$ 33,433	\$ 26,050	\$ (152,016)	\$ (206,272)

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 \$1,454,450, a decrease of \$14,289 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, 2019 and 2018.

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, 2019**

Following is a summary of fund balances as of June 30, 2019 and 2018:

Governmental Funds Balances as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Governmental Funds			
General Fund	\$ 1,454,299	\$ 1,468,588	\$ (14,289)
Special Revenue Fund	-	-	-
Building Fund	151	151	-
Capital Outlay	-	-	-
Debt Service Fund	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total governmental funds	<u>\$ 1,454,450</u>	<u>\$ 1,468,739</u>	<u>\$ (14,289)</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 \$1,435,099, while total fund balance reached \$1,454,299. 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 25.76% of total General Fund expenditures, while total fund balance represents 26.11% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$14,289. Revenues and transfers totaling \$5,569,008 decreased by \$127,235, while expenditures and transfers totaling \$5,583,297 decreased by \$28,832.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (KDE) 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 KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes are 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 \$698,571 or 13.06%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$1,523,945 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, 2019, excluding interfund transfers, beginning balances and on-behalf payments, were \$3,946,989; compared to the total budgeted revenues of \$3,843,977.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2019, excluding interfund transfers and on-behalf payments, were \$4,046,645; compared to the total budgeted expenditures of \$5,337,562.
- The fund balance at the end of the 2019 fiscal year for all Governmental Funds was \$1,454,450 compared to \$1,468,739 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, 2019, the District had \$6,179,885 invested in capital assets net of depreciation: historical costs totaled \$13,411,369 with accumulated depreciation totaling \$7,231,484. 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 \$148,456. Depreciation charged to expense during the year totaled \$336,872, 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, 2019**

Following is a summary of capital assets, net of depreciation, as of June 30, 2019 and 2018.

Net Capital Assets as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 515,102	\$ 495,114	\$ -	\$ -	\$ 515,102	\$ 495,114
Land improvements	76,027	87,286	-	-	76,027	87,286
Building and improvements	5,323,307	5,568,885	745	825	5,324,052	5,569,710
Technology equipment	40,372	73,476	108	619	40,480	74,095
General equipment	32,463	39,504	-	-	32,463	39,504
Vehicles	141,422	44,207	-	-	141,422	44,207
Food service equipment	-	-	50,339	59,602	50,339	59,602
	<u>\$ 6,128,693</u>	<u>\$ 6,308,472</u>	<u>\$ 51,192</u>	<u>\$ 61,046</u>	<u>\$ 6,179,885</u>	<u>\$ 6,369,518</u>

Long term debt – The District’s long-term general obligation bonds outstanding at June 30, 2019 were \$3,085,000. 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 \$1,346,047 of the bonds leaving the District to pay \$1,738,953. 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.

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, 2019

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,469,879	\$ 343,790	\$ 1,813,669
Accounts receivable:			
Intergovernmental - indirect federal	75,435	-	75,435
Inventory	-	6,817	6,817
Capital assets:			
Non-depreciable	515,102	-	515,102
Depreciable (net)	5,613,591	51,191	5,664,782
 Total assets	 7,674,007	 401,798	 8,075,805
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and OPEB	697,665	134,938	832,603
Deferred amount on debt refundings	101,542	-	101,542
 Total deferred outflows of resources	 799,207	 134,938	 934,145
LIABILITIES			
Unearned revenue	90,864	-	90,864
Interest payable	29,887	-	29,887
Accrued salaries and benefits	-	638	638
Noncurrent obligations			
Portion due or payable within one year:			
Bonds payable	295,000	-	295,000
Capital lease obligations	12,163	-	12,163
Portion due or payable after one year:			
Bonds payable	2,783,401	-	2,783,401
Capital lease obligations	102,254	-	102,254
Compensated absences	69,579	719	70,298
Net pension and OPEB liabilities	3,758,148	548,111	4,306,259
 Total liabilities	 7,141,296	 549,468	 7,690,764

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
JUNE 30, 2019

	Governmental Activities	Business- Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and OPEB	\$ 356,285	\$ 50,481	\$ 406,766
Total deferred inflows of resources	<u>356,285</u>	<u>50,481</u>	<u>406,766</u>
NET POSITION			
Invested in capital assets, net of related debt	2,935,875	51,191	2,987,066
Capital projects	151	-	151
Unrestricted	<u>(1,960,393)</u>	<u>(114,404)</u>	<u>(2,074,797)</u>
Total net position	<u><u>\$ 975,633</u></u>	<u><u>\$ (63,213)</u></u>	<u><u>\$ 912,420</u></u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<u>Functions/Programs</u>					
Governmental Activities:					
Current:					
Instruction	\$ 4,478,125	\$ -	\$ 1,924,527	\$ -	\$ (2,553,598)
Support services:					
Student	180,353	-	7,761	-	(172,592)
Instructional staff	157,072	-	46,276	-	(110,796)
District administration	367,125	-	102,198	-	(264,927)
School administration	445,418	-	107,357	-	(338,061)
Business	306,059	-	22,160	-	(283,899)
Plant operations and maintenance	572,540	-	37,117	-	(535,423)
Student transportation	150,786	-	17,740	-	(133,046)
Community service activities	173,102	-	89,191	-	(83,911)
Building acquisition and construction	19,988	-	-	-	(19,988)
Interest on long-term debt	133,091	-	-	189,815	56,724
Total governmental activities	6,983,659	-	2,354,327	189,815	(4,439,517)
Business-Type Activities:					
Food service	583,740	46,059	475,192	-	(62,489)
Total business-type activities	583,740	46,059	475,192	-	(62,489)
Total activities	\$ 7,567,399	\$ 46,059	\$ 2,829,519	\$ 189,815	\$ (4,502,006)

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position			
Net revenues (expenses)	\$ (4,439,517)	\$ (62,489)	\$ (4,502,006)
General Revenues			
Taxes:			
Property	396,374	-	396,374
Motor vehicle	79,637	-	79,637
Utilities	114,891	-	114,891
Other	13,796	-	13,796
Investment earnings	38,601	6,564	45,165
State aid	3,590,232	89,358	3,679,590
Gain (loss) on sale of fixed assets	(1,217)	-	(1,217)
Miscellaneous	21,754	-	21,754
Total general revenues	<u>4,254,068</u>	<u>95,922</u>	<u>4,349,990</u>
Change in net position	<u>(185,449)</u>	<u>33,433</u>	<u>(152,016)</u>
Net position, July 1, 2018	1,102,642	(96,646)	1,005,996
Prior period adjustment (Note 19)	<u>58,440</u>	<u>-</u>	<u>58,440</u>
Net position, July 1, 2018, restated	<u>1,161,082</u>	<u>(96,646)</u>	<u>1,064,436</u>
Net position, June 30, 2019	<u><u>\$ 975,633</u></u>	<u><u>\$ (63,213)</u></u>	<u><u>\$ 912,420</u></u>

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,454,299	\$ 15,429	\$ 151	\$ 1,469,879
Accounts receivable:				
Intergovernmental - indirect federal	-	75,435	-	75,435
Total assets	<u>\$ 1,454,299</u>	<u>\$ 90,864</u>	<u>\$ 151</u>	<u>\$ 1,545,314</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Unearned revenue	\$ -	\$ 90,864	\$ -	\$ 90,864
Total liabilities	<u>-</u>	<u>90,864</u>	<u>-</u>	<u>90,864</u>
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	151	151
Committed	9,459	-	-	9,459
Assigned	9,741	-	-	9,741
Unassigned	1,435,099	-	-	1,435,099
Total fund balances	<u>1,454,299</u>	<u>-</u>	<u>151</u>	<u>1,454,450</u>
Total liabilities and fund balances	<u>\$ 1,454,299</u>	<u>\$ 90,864</u>	<u>\$ 151</u>	<u>\$ 1,545,314</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, 2019**

Total fund balance per fund financial statements	\$ 1,454,450
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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 \$13,169,167 and the accumulated depreciation is \$7,040,474	6,128,693
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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	101,542
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Pension and OPEB related items:

Deferred outflows of resources	697,665
Deferred inflows of resources	(356,285)
Net pension and OPEB liabilities	(3,758,148)

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	\$ (3,078,401)	
Lease obligations	(114,417)	
Interest payable on bonds	(29,887)	
Noncurrent portion of accumulated sick leave	(69,579)	(3,292,284)

Net position for governmental activities	\$ 975,633
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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, 2019

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
From local sources:				
Taxes				
Property	\$ 359,727	\$ -	\$ 36,647	\$ 396,374
Motor vehicle	79,637	-	-	79,637
Utilities	114,891	-	-	114,891
Other	13,796	-	-	13,796
Earnings on investments	38,601	-	-	38,601
Other local revenues	10,474	11,283	-	21,757
Intergovernmental - state	4,853,807	269,884	450,184	5,573,875
Intergovernmental - federal	-	560,499	-	560,499
Total revenues	5,470,933	841,666	486,831	6,799,430
EXPENDITURES				
Current:				
Instruction	3,400,454	693,382	-	4,093,836
Support services:				
Student	180,353	-	-	180,353
Instructional staff	113,901	39,628	-	153,529
District administration	377,392	-	-	377,392
School administration	452,862	-	-	452,862
Business	283,259	22,800	-	306,059
Plant operations and maintenance	555,303	-	-	555,303
Student transportation	125,136	6,796	-	131,932
Community service activities	40,970	91,768	-	132,738
Building acquisition and construction	19,988	-	-	19,988
Debt service	20,971	-	388,756	409,727
Total expenditures	5,570,589	854,374	388,756	6,813,719
Excess (deficit) of revenues over (under) expenditures	(99,656)	(12,708)	98,075	(14,289)
Other financing sources (uses)				
Operating transfers in	98,075	12,708	198,941	309,724
Operating transfers out	(12,708)	-	(297,016)	(309,724)
Total other financing sources (uses)	85,367	12,708	(98,075)	-
Net changes in fund balances	(14,289)	-	-	(14,289)
Fund balances, July 1, 2018	1,468,588	-	151	1,468,739
Fund balances, June 30, 2019	\$ 1,454,299	\$ -	\$ 151	\$ 1,454,450

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, 2019**

Net change in total fund balance per fund financial statements \$ (14,289)

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	\$ 148,456	
Depreciation expense	<u>(327,018)</u>	(178,562)

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.

(1,217)

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	10,789	
Bond repayments	290,000	
KISTA note proceeds	(114,417)	
KISTA lease payments	<u>7,621</u>	193,993

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 and OPEB amounts	(196,325)	
Accumulated sick leave-noncurrent portion	24,316	
Amortization of bond discount/premium	(14,380)	
Amortization of gain/loss on debt refunding	(910)	
Accrued interest on bonds	<u>1,925</u>	<u>(185,374)</u>

Change in net position of governmental activities		<u><u>\$ (185,449)</u></u>
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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, 2019

	School Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 343,790
Inventory	6,817
	<u>350,607</u>
Total current assets	
Noncurrent assets	
Capital assets	242,203
Less: accumulated depreciation	(191,012)
	<u>51,191</u>
Total noncurrent assets	
Total assets	<u>401,798</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension and OPEB	134,938
	<u>134,938</u>
Total deferred outflows of resources	
LIABILITIES	
Accrued salaries and benefits	638
	<u>638</u>
Total current liabilities	
Long-term liabilities	
Compensated absences	719
Net pension and OPEB liabilities	548,111
	<u>548,830</u>
Total long-term liabilities	
DEFERRED INFLOWS OF RESOURCES	
Deferred pension and OPEB	50,481
	<u>50,481</u>
Total deferred inflows of resources	
NET POSITION	
Invested in capital assets,	
net of related debt	51,191
Unrestricted	(114,404)
	<u>(63,213)</u>
Total net position	<u>\$ (63,213)</u>

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, 2019**

	School Food Service Fund
OPERATING REVENUES	
Lunchroom sales	\$ 46,059
Total operating revenues	<u>46,059</u>
OPERATING EXPENSES	
Salaries and wages	298,752
Materials and supplies	271,614
Depreciation	9,855
Contract services	<u>3,519</u>
Total operating expenses	<u>583,740</u>
Operating income (loss)	<u>(537,681)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	423,997
Donated commodities	51,195
State grants	3,989
State on-behalf payments	85,369
Interest income	<u>6,564</u>
Total non-operating revenues (expenses)	<u>571,114</u>
Change in net position	33,433
Net position, July 1, 2018	<u>(96,646)</u>
Net position, June 30, 2019	<u><u>\$ (63,213)</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, 2019**

	School Food Service Fund
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 46,059
Cash paid to/for:	
Employees	(175,321)
Supplies	(213,237)
Contract services	(3,519)
	<u>(346,018)</u>
Net cash provided (used) by operating activities	<u>(346,018)</u>
Cash flows from noncapital financing activities	
Government grants	<u>427,986</u>
Net cash provided (used) by noncapital financing activities	<u>427,986</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Receipt of interest income	<u>6,564</u>
Net cash provided (used) by investing activities	<u>6,564</u>
Net increase (decrease) in cash and cash equivalents	88,532
Balances, beginning of year	<u>255,258</u>
Balances, end of year	<u><u>\$ 343,790</u></u>

Continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND, continued
FOR THE YEAR ENDED JUNE 30, 2019**

	School Food Service Fund
	<hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (537,681)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	9,855
Donated commodities	51,195
State on-behalf payments	85,369
Change in assets and liabilities:	
Inventory	7,182
Deferred pension and OPEB	38,684
Compensated absences	(622)
	<hr/>
Net cash provided (used) by operating activities	<u><u>\$ (346,018)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from Federal government	\$ 51,195
On-behalf payments	85,369

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENT

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 106,914</u>
Total assets	<u> 106,914</u>
 LIABILITIES	
Due to student groups	<u> 106,914</u>
Total liabilities	<u> 106,914</u>
 NET POSITION	<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, 2019

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, 2019

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 Statements

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, 2019

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, 2019

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, 2019

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, 2019, to finance the General Fund operations were \$.702 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, 2019

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, 2019. 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, 2019 that met these criteria.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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, 2019

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 and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, OPEB and OPEB 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 two items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10 and the OPEB liability described in Note 11.

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 two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10 and the OPEB liability described in Note 11.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances

In the fund financial statements, governmental fund balances are 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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, 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 June 30, 2019, the carrying amount of the District's deposits was \$1,920,583 and the bank balance was \$2,173,893. Of the District's bank balance, \$250,000 was covered by Federal Deposit Insurance, with the remaining balance of \$1,923,893 collateralized as discussed above.

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

Governmental funds	\$ 1,469,879
Proprietary funds	343,790
Fiduciary funds	<u>106,914</u>
 Total	 <u><u>\$ 1,920,583</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2019, was as follows:

Governmental Activities	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets not depreciated:				
Land	\$ 495,114	\$ 19,988	\$ -	\$ 515,102
Total nondepreciable historical cost	495,114	19,988	-	515,102
Capital assets depreciated:				
Land improvements	604,155	-	-	604,155
Buildings and improvements	10,354,082	15,500	-	10,369,582
Technology equipment	950,232	-	111,934	838,298
General equipment	231,101	-	3,499	227,602
Vehicles	501,460	112,968	-	614,428
Total depreciable historical cost	12,641,030	128,468	115,433	12,654,065
Less: accumulated depreciation				
Land improvements	516,869	11,259	-	528,128
Building and improvements	4,785,197	261,078	-	5,046,275
Technology equipment	876,756	31,887	110,717	797,926
General equipment	191,597	7,041	3,499	195,139
Vehicles	457,253	15,753	-	473,006
Total accumulated depreciation	6,827,672	327,018	114,216	7,040,474
Total depreciable historical cost - net	5,813,358	(198,550)	1,217	5,613,591
Governmental activities capital assets - net	\$ 6,308,472	\$ (178,562)	\$ 1,217	\$ 6,128,693

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – CAPITAL ASSETS, continued

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

Governmental Activities

Instruction	\$ 223,070
Support services:	
Student	-
Instructional staff	3,543
District administration	9,721
School administration	177
Business	-
Plant operations and maintenance	32,737
Student transportation	17,406
Community service activities	<u>40,364</u>
	<u><u>\$ 327,018</u></u>

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Business-Type Activities				
Capital assets depreciated:				
Buildings and improvements	\$ 2,010	\$ -	\$ -	\$ 2,010
Technology equipment	6,707	-	1,831	4,876
Food service equipment	<u>235,316</u>	<u>-</u>	<u>-</u>	<u>235,316</u>
Total depreciable historical cost	<u>244,033</u>	<u>-</u>	<u>1,831</u>	<u>242,202</u>
Less: accumulated depreciation				
Buildings and improvements	1,185	80	-	1,265
Technology equipment	6,088	511	1,831	4,768
Food service equipment	<u>175,714</u>	<u>9,263</u>	<u>-</u>	<u>184,977</u>
Total accumulated depreciation	<u>182,987</u>	<u>9,854</u>	<u>1,831</u>	<u>191,010</u>
Business-type activities capital assets - net	<u><u>\$ 61,046</u></u>	<u><u>\$ (9,854)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,192</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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:

Issue	Proceeds	Maturity Dates	Interest Rates	Balance June 30, 2019
Issue of 2014	\$ 2,750,000	2029	2.25%-6.40%	\$ 1,955,000
Issue of 2015	1,440,000	2026	2.00%	1,130,000

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, 2019, for debt service (principal and interest) and the annexation agreement are as follows:

Year	Dawson Springs Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
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	152,662	38,073	162,338	17,232	370,305
2024	150,827	33,521	169,173	13,735	367,256
2025-2029	844,903	94,044	525,097	21,834	1,485,878
2030	173,853	2,826	11,147	181	188,007
	<u>\$ 1,738,953</u>	<u>\$ 303,112</u>	<u>\$ 1,346,047</u>	<u>\$ 124,477</u>	<u>\$ 3,512,589</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – LONG-TERM OBLIGATIONS, continued

A summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	New Issues/ Adjustments	Debt Payments/ Adjustments	Balance June 30, 2019	Amounts Due in One Year
Bonds payable:					
Revenue bonds	\$ 3,375,000	\$ -	\$ 290,000	\$ 3,085,000	\$ 295,000
Premium (discount)	(7,509)	-	(910)	(6,599)	-
Total bonds payable	3,367,491	-	289,090	3,078,401	295,000
Other liabilities:					
Annexation note payable	10,789	-	10,789	-	-
Capital leases	7,621	114,417	7,621	114,417	12,163
Compensated absences					
Governmental	139,334	-	69,755	69,579	-
Business-type	1,341	-	622	719	-
Total other liabilities	159,085	114,417	88,787	184,715	12,163
Total long-term obligations	<u>\$ 3,526,576</u>	<u>\$ 114,417</u>	<u>\$ 377,877</u>	<u>\$ 3,263,116</u>	<u>\$ 307,163</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	\$ 270,869	\$ 156,424
Technology	120,000	120,000

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 are, as follows.

Year Ending	Lease
2020	\$ 15,548
2021	15,506
2022	13,655
2023	13,635
2024	13,607
2025-2029	<u>60,830</u>
Total minimum lease payments	132,781
Lease amount representing interest	<u>18,364</u>
Present value of net minimum lease payments	<u><u>\$ 114,417</u></u>

During the year ended June 30, 2019, the following changes occurred in the capital lease obligations:

	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Due in One Year
KISTA 2009	\$ 7,621	\$ -	\$ 7,621	\$ -	\$ -
KISTA 2019	<u>-</u>	<u>114,417</u>	<u>-</u>	<u>114,417</u>	<u>12,163</u>
Total	<u><u>\$ 7,621</u></u>	<u><u>\$ 114,417</u></u>	<u><u>\$ 7,621</u></u>	<u><u>\$ 114,417</u></u>	<u><u>\$ 12,163</u></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 \$69,579 with \$-0- considered the short-term portion. Management has estimated that the amount for business-type activities will be approximately \$719 with \$-0- considered the short-term portion.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – FUND BALANCE REPORTING

Following is a summary of designations of fund balance at June 30, 2019:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Construction	-	-	151	151
Committed:				
Site-based carry forward	9,459	-	-	9,459
Assigned:				
Equipment purchase	9,741	-	-	9,741
Unassigned	<u>1,435,099</u>	<u>-</u>	<u>-</u>	<u>1,435,099</u>
	<u>\$ 1,454,299</u>	<u>\$ -</u>	<u>\$ 151</u>	<u>\$ 1,454,450</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	\$ 12,708
Building	General	Capital projects	40,625
Building	Debt Service	Bond payments	198,941
Construction	General	Insurance and capital projects	<u>57,450</u>
			<u>\$ 309,724</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019:

Health insurance	\$ 732,201
Life insurance	1,158
Administrative fee	9,510
Health reimbursement account - HRA/dental/vision	35,267
	<u>778,136</u>
Federal reimbursements of health benefits	(103,280)
	<u>674,856</u>
KTRS pension fund	822,191
KTRS insurance fund	69,268
Technology	43,000
KISTA	9,661
Debt service	180,153
	<u><u>\$ 1,799,129</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	\$ 1,523,945
Debt Service Fund	189,815
Business-type activities	
Food Service Fund	85,369
	<u><u>\$ 1,799,129</u></u>

NOTE 10 – PENSION PLANS

The District participates in the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers' Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. 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 have been determined on the same basis as they are reported by KTRS and CERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description – Employees whose positions do not require a 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. 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. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

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

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

At June 30, 2019, The District reported a liability of \$2,135,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was based on the actuarial valuation date of June 30, 2017 rolled forward to the June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.035067%.

For the year ended June 30, 2019, the District recognized pension expense of \$345,173. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 69,660	\$ 31,262
Change of assumptions	208,719	-
Net differences between projected and actual earnings on pension plan investments	99,311	124,919
Changes in proportion and difference between District contributions and proportionate share of contributions	32,989	15,421
District contributions subsequent to the measurement date	<u>140,113</u>	<u>-</u>
Total	<u>\$ 550,792</u>	<u>\$ 171,602</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

The \$140,113 reported as deferred outflows of resources related to 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2020	\$ 175,000
2021	94,165
2022	(18,624)
2023	(11,464)
2024	-
Thereafter	-
Total	<u><u>\$ 239,077</u></u>

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The most recent experience study was conducted in 2018 and will be used in the June 30, 2019 actuarial valuation for the Fiscal Year 2020 audit.

The June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense and inflation	6.25%

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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

Long-term rate of return – 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	Target Allocation	Long-term Expected Real Rate of Return
US equity*	17.50%	14.50%
International equity*	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	7.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate*	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return*	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	100.00%	

* Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan

Discount rate – The discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2018 was 6.25%. 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 25-year (closed) 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. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

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

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of net pension liability	\$ 2,688,609	\$ 2,135,687	\$ 1,672,436

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.

Payable to the pension plan – At June 30, 2019, the District reported a payable of \$17,328 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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.

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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

Participants 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 members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members 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, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. 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. Members 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 members 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 members and \$5,000 for retired or disabled members.

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.

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members 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 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members 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.

At June 30, 2019, the amount recognized by the District as it's proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

Commonwealth's proportionate share of KTRS net pension liability associated with the District.	\$ 11,347,258
	<u>\$ 11,347,258</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2019, the District recognized pension expense of \$1,370,911 and revenue of \$1,370,911 for support provided by the State.

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	3.50% - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.56%
Discount rate	4.49%

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 projections of Scale AA to 2020 with a setback of 1 year for females. The result 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.

Long-term rate of return – The long-term expected rate of return on 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 KTRS's investment consultant, are summarized in the following table:

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – PENSION PLANS, continued

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	42.00%	4.20%
International equity	20.00%	5.20%
Fixed income	15.00%	1.20%
Additional categories*	8.00%	3.30%
Real estate	6.00%	3.80%
Private equity	7.00%	6.30%
Cash	2.00%	90.00%
 Total	 100.00%	

*Includes hedge funds, high yield and non-US developed bonds.

The discount rate used to measure the total pension liability was 7.5%. 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 Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future, 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 to determine the total pension liability. The change in the discount rate from the 4.49% used in 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

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

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the County Employees Retirement Systems Non-Hazardous OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute Sections 61.510, 61.515, 61.702, 78.520 and 78.630. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. The District participates in the Non-Hazardous plan.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. KRS contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.652, 61.962 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2018 legislative session that had a material change in benefit provisions for either system for this valuation period.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019, participating employers contributed 5.26%, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contribution to the insurance fund from the District were \$45,437 for the years ended June 30, 2019. The OPEB contribution amount does not include the implicit subsidy reported in the amount of \$10,043.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$622,572 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion for was 0.035065%.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

For the year ended June 30, 2019, the District recognized OPEB expense of \$81,196.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 72,553
Changes of assumptions	124,337	1,438
Net difference between projected and actual earnings on pension plan investments	-	42,883
Changes in proportion and differences between District contributions and proportionate share of contributions	10,978	1,290
District contributions subsequent to the measurement date	45,437	-
Total	<u>\$ 180,752</u>	<u>\$ 118,164</u>

For the year ended June 30, 2019, \$45,437 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2020	\$ 3,986
2021	3,986
2022	3,986
2023	12,314
2024	(3,644)
Thereafter	(3,477)
Total	<u>\$ 17,151</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Actuarial Assumptions

The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2018 were based on actuarial valuation date of June 30, 2017. The total OPEB liability was rolled forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Valuation date	June 30, 2017
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The mortality table for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).

The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Asset Class	Target Allocation	Long-Term Expected Real Return
US equity	17.50%	14.50%
International equity*	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	5.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate*	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return*	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance

Discount rate: The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability as of June 30, 2018, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease <u>4.85%</u>	Current Discount Rate <u>5.85%</u>	1% Increase <u>6.85%</u>
District's proportionate share of net OPEB liability	\$ 808,621	\$ 622,572	\$ 464,092

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 463,511	\$ 622,572	\$ 810,059

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Payable to the OPEB plan: At June 30, 2018, the District reported a payable of \$5,619 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2019.

General Information about the Teachers' Retirement System of Kentucky (KTRS) OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources, deferred inflows of resources and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$1,548,000 for its proportionate share of the net OPEB liability the reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.044604%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of net OPEB liability	
Commonwealth's proportionate share of KTRS net	\$ 1,548,000
pension liability associated with the District.	<u>1,334,000</u>
	<u>\$ 2,882,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$168,000 and revenue of \$93,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 79,000
Changes of assumptions	21,000	-
Net difference between projected and actual earnings on pension plan investments	-	6,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	32,000
District contributions subsequent to the measurement date	<u>80,059</u>	<u>-</u>
Total	<u>\$ 101,059</u>	<u>\$ 117,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$80,059 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2020	\$ (19,000)
2021	(19,000)
2022	(19,000)
2023	(16,000)
2024	(17,000)
Thereafter	<u>(6,000)</u>
Total	<u>\$ (96,000)</u>

Actuarial assumptions – The total KTRS OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2030
Municipal bond index rate	3.89%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on OPEB 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 OPEB 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	4.60%
Fixed income	9.00%	1.20%
Real estate	5.50%	3.80%
Private equity	6.50%	6.30%
Other additional categories*	20.00%	3.30%
Cash (LIBOR)	1.00%	90.00%
Total	<u>100.00%</u>	

**Modeled as 50% high yield and 50% bank loans.*

Discount rate: The discount rate used to measure the total OPEB liability was 8.00%. 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 contribution will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease <u>7.00%</u>	Current Discount Rate <u>8.00%</u>	1% Increase <u>9.00%</u>
District's proportionate share of net OEPB liability	\$ 1,815,000	\$ 1,548,000	\$ 1,325,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OEPB liability	\$ 1,283,000	\$ 1,548,000	\$ 1,874,000

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Teachers' Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.trs.ky.gov.

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars' payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars' payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

KTRS	Life Insurance Fund
District's proportionate share of net OPEB liability	\$ -
State's proportionate share of net OPEB liability associated with the District	23,000
Total	<u>\$ 23,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$4,000 and revenue of \$4,000 for support provided by the State.

Actuarial Assumptions

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	3.56%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
US equity	40.00%	4.20%
International equity	23.00%	5.20%
Fixed income	18.00%	1.20%
Real estate	6.00%	3.80%
Private equity	5.00%	6.30%
Other additional categories	6.00%	3.30%
Cash (LIBOR)	2.00%	0.90%
Total	100.00%	

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

Discount rate – The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report on the website at www.trs.ky.gov.

NOTE 12 – 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 \$8,100 to these plans during the year ended June 30, 2019.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – 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.

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 14 – 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 – 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 16 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2019.

NOTE 17 – DEFICIT OPERATING FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, General Fund had operations that resulted in a current year deficit of revenues over expenditures of \$14,289 resulting in a corresponding reduction of fund balance.

NOTE 18 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018. Adoption of this statement did not have a significant impact on the District's financial position or results of operations.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Beginning net position for governmental activities was restated in the net amount of \$58,440 to record deferred outflow for the subsequent contributions to the Medical Insurance Plan of \$79,440 and to record the beginning balance of deferred inflows for the Medical Insurance Plan of (\$21,000).

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, 2019**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources:				
Taxes				
Property	\$ 315,000	\$ 315,000	\$ 359,727	\$ 44,727
Motor vehicle	70,000	70,000	79,637	9,637
Utilities	110,000	110,000	114,891	4,891
Other	15,010	15,010	13,796	(1,214)
Earnings on investments	15,000	15,000	38,601	23,601
Other local revenues	3,500	3,500	10,474	6,974
Intergovernmental - state	3,315,467	3,315,467	3,329,863	14,396
Total revenues	3,843,977	3,843,977	3,946,989	103,012
EXPENDITURES				
Current:				
Instruction	2,397,574	2,407,794	2,149,839	257,955
Support services:				
Student	177,041	177,041	172,592	4,449
Instructional staff	120,623	120,623	106,140	14,483
District administration	1,092,687	1,080,467	275,194	805,273
School administration	350,515	350,515	345,505	5,010
Business	247,293	247,293	283,259	(35,966)
Plant operations and maintenance	664,761	666,761	518,186	148,575
Student transportation	150,999	150,999	114,001	36,998
Community service activities	70,114	70,114	40,970	29,144
Building acquisition and construction	40,989	40,989	19,988	21,001
Debt service	24,966	24,966	20,971	3,995
Total expenditures	5,337,562	5,337,562	4,046,645	1,290,917
Excess (deficit) of revenues over (under) expenditures	(1,493,585)	(1,493,585)	(99,656)	1,393,929
Other financing sources (uses)				
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	-	98,075	98,075
Operating transfers out	(12,708)	(12,708)	(12,708)	-
Total other financing sources (uses)	(12,708)	(12,708)	85,367	98,075
Net change in fund balance	(1,506,293)	(1,506,293)	(14,289)	1,492,004
Fund balance, July 1, 2018	1,506,293	1,506,293	1,468,588	(37,705)
Fund balance, June 30, 2019	\$ -	\$ -	\$ 1,454,299	\$ 1,454,299

**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, 2019**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
REVENUES	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources:				
Other local revenues	\$ -	\$ -	\$ 11,283	\$ 11,283
Intergovernmental - state	256,042	257,257	269,884	12,627
Intergovernmental - federal	563,061	563,674	560,499	(3,175)
Total revenues	<u>819,103</u>	<u>820,931</u>	<u>841,666</u>	<u>20,735</u>
EXPENDITURES				
Current:				
Instruction	688,461	694,223	693,382	841
Support services:				
Instructional staff	35,039	29,890	39,628	(9,738)
Business	25,416	25,416	22,800	2,616
Student transportation	6,427	6,427	6,796	(369)
Community service activities	76,468	77,683	91,768	(14,085)
Total expenditures	<u>831,811</u>	<u>833,639</u>	<u>854,374</u>	<u>(20,735)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(12,708)</u>	<u>(12,708)</u>	<u>(12,708)</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers in	12,708	12,708	12,708	-
Total other financing sources (uses)	<u>12,708</u>	<u>12,708</u>	<u>12,708</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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	\$ 3,946,989
On-behalf payments	<u>1,523,944</u>
Total revenues - modified cash basis	<u>\$ 5,470,933</u>
Expenditures - budgetary basis	\$ 4,046,645
On-behalf payments	<u>1,523,944</u>
Total expenditures - modified cash basis	<u>\$ 5,570,589</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Schedule of District's Proportionate Share of Pension Liability - CERS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.035067%	0.034115%	0.035000%	0.035480%	0.034870%
District's proportionate share of net pension liability	\$ 2,135,687	\$ 1,996,856	\$ 1,723,025	\$ 1,525,392	\$ 1,156,200
District's covered-employee payroll	\$ 901,646	\$ 860,427	\$ 835,348	\$ 792,477	\$ 796,010
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	236.87%	232.08%	206.26%	192.48%	145.25%
Plan fiduciary net position as a percentage of total pension liability**	54.54%	53.30%	55.50%	59.97%	66.80%

Schedule of District's Contributions - CERS

<u>As of year ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 140,113	\$ 130,559	\$ 160,728	\$ 142,510	\$ 140,032
Contributions in relation to the contractually required contribution	<u>140,113</u>	<u>130,559</u>	<u>160,728</u>	<u>142,510</u>	<u>140,032</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 863,831	\$ 901,646	\$ 860,427	\$ 835,348	\$ 792,477
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	18.68%	17.06%	17.67%

** "Plan" refers to entire CERS Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF
DISTRICT'S CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

2016: No changes in benefit terms

Changes in assumptions

2018: No changes since 2017

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- Payroll growth assumption was reduced from 4.0% to 3.05%

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Schedule of District's Proportionate Share of Pension Liability - KTRS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability associated with the District	\$ 11,347,258	\$ 23,357,882	\$ 26,140,046	\$ 20,203,043	\$ 18,144,400
District's covered-employee payroll	\$ 2,763,339	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664	\$ 2,770,518
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability**	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - KTRS

<u>As of year ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,779,774	\$ 2,763,339	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

** "Plan" refers to entire CERS Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Changes in benefit terms

None

Changes in assumptions

2018: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.49% to 7.5%

2017: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.20% to 4.49%

2016: Rate of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the assumed salary scale, price inflation and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the single equivalent interest rate (SEIR) resulted in an assumption change from 4.88% to 4.20%

2015: Calculation of SEIR resulted in an assumption change from 5.23% to 4.88%

2014: Calculation of SEIR resulted in an assumption change from 5.16% to 5.23%

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Schedule of Proportionate Share of Net OPEB liability - CERS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of net OPEB liability (asset)	0.035065%	0.034115%
District's proportionate share of net OPEB liability (asset)	<u>\$ 622,572</u>	<u>\$ 685,828</u>
District's covered - employee payroll	<u>\$ 901,646</u>	<u>\$ 860,427</u>
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	69.05%	79.71%
Plan fiduciary net position as a percentage of total OPEB liability**	57.62%	52.40%

Schedule of District's Contributions - CERS

<u>As of year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 45,437	\$ 42,377
Contributions in relation to the contractually required contribution	<u>45,437</u>	<u>42,377</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 863,831	\$ 901,646
Contributions as a percentage of covered-employee payroll	5.26%	4.70%

** "Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

Changes in assumptions

2018: Single discount rate changed from 5.84% to 5.85%

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

Schedule of Proportionate Share of Net OPEB liability - KTRS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.044604%	4.563100%
District's proportionate share of collective net OPEB liability (asset)	\$ 1,548,000	\$ 1,627,000
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>1,334,000</u>	<u>1,329,000</u>
Total	<u>\$ 2,882,000</u>	<u>\$ 2,956,000</u>
District's covered - employee payroll	<u>\$ 2,648,005</u>	<u>\$ 2,606,055</u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	58.46%	62.43%
Plan fiduciary net position as a percentage of total OPEB liability**	25.50%	21.18%

Schedule of District's Contributions - KTRS

<u>As of year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 80,059	\$ 79,440
Contributions in relation to the contractually required contribution	<u>80,059</u>	<u>79,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,668,653	\$ 2,648,005
Contributions as a percentage of covered-employee payroll	3.00%	3.00%

** "Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS –
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

Schedule of Proportionate Share of Net OPEB liability - KTRS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability (asset)	\$ -	\$ -
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>23,000</u>	<u>18,000</u>
Total	<u>\$ 23,000</u>	<u>\$ 18,000</u>
District's covered - employee payroll	<u>\$ 2,648,005</u>	<u>\$ 2,606,055</u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability**	75.00%	79.99%

Schedule of District's Contributions - KTRS

<u>As of year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,668,653	\$ 2,648,005
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

** "Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

Medical insurance fund:

Changes in benefit terms

2018: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the cost of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes in assumptions

No changes in assumptions

Life insurance fund:

Changes in benefit terms

No changes in benefit terms

Changes in assumptions

No changes in assumptions

OTHER SUPPLEMENTARY INFORMATION

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 151	\$ -	\$ -	\$ 151
Total assets and resources	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	151	-	-	151
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>
Total liabilities and fund balances	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151</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, 2019**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
From local sources:				
Taxes				
Property	\$ 36,647	\$ -	\$ -	\$ 36,647
Intergovernmental - state	202,919	57,450	189,815	450,184
Total revenues	239,566	57,450	\$ 189,815	486,831
EXPENDITURES				
Plant operations and maintenance	-	-	-	-
Building acquisition and construction	-	-	-	-
Debt service	-	-	388,756	388,756
Total expenditures	-	-	388,756	388,756
Excess (deficit) of revenues over (under) expenditures	239,566	57,450	(198,941)	98,075
Other financing sources (uses)				
Operating transfers in	-	-	198,941	198,941
Operating transfers out	(239,566)	(57,450)	-	(297,016)
Total other financing sources (uses)	(239,566)	(57,450)	198,941	(98,075)
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2018	151	-	-	151
Fund balances, June 30, 2019	\$ 151	\$ -	\$ -	\$ 151

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Cash Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance</u> <u>June 30, 2019</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balance</u> <u>June 30, 2019</u>
Dawson Springs Junior and Senior High School	\$ 99,502	\$ 189,021	\$ 191,619	\$ 96,904	\$ -	\$ -	\$ 96,904
Dawson Springs Elementary	8,504	19,613	18,107	10,010	-	-	10,010
Totals	<u>\$ 108,006</u>	<u>\$ 208,634</u>	<u>\$ 209,726</u>	<u>\$ 106,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,914</u>

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, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
Academic	\$ 12	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ 12
Annual Staff	8,588	5,415	2,925	11,078	-	-	11,078
Art Club	798	-	-	798	-	-	798
Athletic	8,089	28,242	27,585	8,746	-	-	8,746
Athletic banners	1,956	-	-	1,956	-	-	1,956
Back to School Bash	626	488	83	1,031	-	-	1,031
Baseball boosters	4,770	630	1,272	4,128	-	-	4,128
Concessions	14,087	18,938	20,594	12,431	-	-	12,431
BETA Club	982	1,051	1,174	859	-	-	859
Boys basketball	1,355	7,658	8,371	642	-	-	642
Boys soccer	1,483	-	-	1,483	-	-	1,483
Cheerleading - HS	1,938	2,595	2,432	2,101	-	-	2,101
Life skills class	2	2,504	1,980	526	-	-	526
Field trips	-	488	436	52	-	-	52
Class of 2019	3,164	43,534	46,698	-	-	-	-
Class of 2020	1,293	6,336	4,448	3,181	-	-	3,181
Class of 2021	673	173	-	846	-	-	846
Class of 2022	431	694	-	1,125	-	-	1,125
Class of 2023	284	262	-	546.00	-	-	546.0
Class of 2024	-	158	-	158.00	-	-	158.0
Cokes - HS	1,539	1,657	1,659	1,537	-	-	1,537
Cross country	1,908	8,099	7,003	3,004	-	-	3,004
Drama Club	139	359	450	48	-	-	48
Environmental Club	63	510	408	165	-	-	165
Education Fund	5,117	1,919	1,820	5,216	-	-	5,216
FBLA	1,317	-	299	1,018	-	-	1,018
FCA	693	-	-	693	-	-	693

Continued

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, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2019
Girls' basketball	934	7,438	6,853	1,519	-	-	1,519
Golf	3,020	7,359	7,106	3,273	-	-	3,273
Jr. Beta Club	32	400	390	42	-	-	42
MS Academic	1,198	152	224	1,126	-	-	1,126
MS boys' basketball	150	1,911	120	1,941	-	-	1,941
MS cheerleaders	32	840	-	872	-	-	872
MS girls' basketball	1,864	822	1,260	1,426	-	-	1,426
Media Center	1,373	112	44	1,441	-	-	1,441
Music	11,926	30,364	37,880	4,410	-	-	4,410
Office fund	6,706	7,402	5,027	9,081	-	-	9,081
Pep Club	204	-	-	204	-	-	204
Project Prom	4,251	6,145	8,533	1,863	-	-	1,863
Softball	3,153	4,432	4,098	3,487	-	-	3,487
Student awards	277	58	197	138	-	-	138
Track	1,528	3,016	3,151	1,393	-	-	1,393
STLP	114	-	-	114	-	-	114
Math Club	285	88	84	289	-	-	289
Bass Fishing	754	1,445	1,688	511	-	-	511
Senior Graduation Account	-	660	660	-	-	-	-
Soccer concessions	394	-	-	394	-	-	394
	99,502	204,354	206,952	96,904	-	-	96,904
Less: Interfund Transfers	-	(15,333)	(15,333)	-	-	-	-
Totals	\$ 99,502	\$ 189,021	\$ 191,619	\$ 96,904	\$ -	\$ -	\$ 96,904

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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:			
Special Education Cluster			
Special Education - Grants to States	84.027	3810002-18	\$ 125,798
	84.027	3810002-17	<u>21,665</u>
Total Special Education - Grants to States			\$ 147,463
Special Education - Preschool Grants	84.173	3800002-18	<u>11,834</u>
Total Special Education Cluster			<u>159,297</u>
Title I Grants to Local Education Agencies	84.010	3100002-18	320,429
	84.010	3100002-17	<u>(9,905)</u>
Total Title I Grants to Local Education Agencies			310,524
Vocational Education - Basic Grants to States	84.048	3710002-18	3,378
	84.048	3710002-17	<u>197</u>
Total Vocational Education - Basic Grants to States			3,575
Title V Rural and Low Income	84.358	3140002-18	11,977
	84.358	3140002-17	<u>10,127</u>
Total Title V Rural and Low Income			22,104
Improving Teacher Quality - State Grants	84.367	3230002-18	19,106
	84.367	3230002-17	34,057
	84.367	3230002-16	<u>351</u>
Total Improving Teacher Quality - State Grants			53,514
Supporting Effective Instruction - State Grants	84.424	3420002-18	1,485
	84.424	3420002-17	<u>10,000</u>
Total Supporting Effective Instruction - State Grants			<u>11,485</u>
Total U. S. Department of Education			<u>560,499</u>
U. S. Department of Health and Human Services			
Cooperative Agreements to Promote Adolescent Health through School - Based HIV / STD Prevention and School - Based Surveillance	93.079	Direct	<u>400</u>
Total U. S. Department of Health and Human Services			<u>400</u>

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005-19	105,541
	10.553	7760005-18	<u>26,702</u>
Total School Breakfast Program			132,243
National School Lunch Program	10.555	7750002-19	237,955
	10.555	7750002-18	<u>53,799</u>
Total National School Lunch Program			<u>291,754</u>
Total Child Nutrition Cluster			<u>423,997</u>
Other U. S. Department of Agriculture Programs:			
Fresh Fruit and Vegetable Program	10.582	Direct	<u>51,195</u>
Total U. S. Department of Agriculture			<u>475,192</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,036,091</u></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, 2019**

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, 2019. 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 to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – 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

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA



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HOPKINSVILLE, KY 42240

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DUGUID, GENTRY & ASSOCIATES, P.S.C.
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, 2019, 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 12, 2019.

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 2019-001).

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 12, 2019.

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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2019

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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, 2019. 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, 2019.

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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2019

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR
section 200.516(a)? ☒ yes ☐ no

Major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>
Title I Grants to Local Education Agencies	84.010

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

Findings – Financial Statement Audits

SIGNIFICANT DEFICIENCY

2019-01 – 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.

Cause – Available funds do not allow for such staffing.

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 Duguid, Gentry & Associates, PSC. 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 management 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 .

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

Findings and Questioned Costs – Major Federal Award Programs Audit

Finding: 2019-001

Major program: Title I, Part A

CFDA number: 84.010

Type of Finding: Special Tests

Criteria – The Uniform Administrative Requirements codified at 2 CFR 200 – 4-84.000-21 states, “For programs funded under Title I, Part A (CFDA 84.010), an LEA, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Eligible private school children are those who reside in a participating public-school attendance area and have educational needs under Section 1115(b) of the ESEA,” (Executive Office of the President Office of Management and Budget, 2019).

Condition – The District did not initiate timely and meaningful consultation with private or home school (non-public school) officials with the purpose of gauging their interest in participating in Title I.

Cause – Documentation of invitation to participate in Title I for non-public schools that have students in attendance that could potentially be eligible to participate in Title I was unavailable for review, and District personnel confirmed that letters that were sent in years priors and the subsequent year were not sent for the 2018 – 2019 Fiscal Year.

Effect or Potential Effect – The lack of consultation with non-public schools to gauge interest in participation of Title I may result in eligible students attending a private or home school to not receive Title I services or benefits. The purpose of Title I is to provide all children significant opportunity to receive a fair, equitable and high-quality education and to close educational achievement gaps. Without initiating consultation of participation, the District failed to offer this opportunity to non-public school children.

Recommendation – We recommend that the District takes the necessary steps to ensure that they initiate timely and meaningful consultation with officials of non-public schools within the district who have students within the District that attend the non-public school or who may travel into the District to attend the non-public school.

Questioned Costs – None reported

Views of Responsible

Officials – Agree – Management has prepared a separate correction action plan.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2018-001 – 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, 2019.

MANAGEMENT COMMENTS FOR AUDIT

November 12, 2019

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, 2019, 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 12, 2019, contains our report on the District's internal control. This letter does not affect our report dated November 12, 2019 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 97 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, 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,

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

DAWSON SPRINGS JR/SR HIGH SCHOOL

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for an inactive activity account if there has been no activity during the preceding 12 months.

Condition – 8 accounts had no activity during the preceding 12 months and are considered inactive.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts’ funds shall be transferred to the school activity general account and used for the general benefit of all students.

Views of Responsible Officials – Recommendations have been discussed with bookkeeper to analyze activity in accounts on a regular basis. Redbook procedures will be followed if there is no activity in accounts over a 12 month period.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for expenditures.

Condition – Two checks did not have supporting invoices.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – The school treasurer shall match up purchase order, shipping document (if applicable) and vendor invoice, and the check number and date paid shall be noted on the invoice. The school treasurer shall file all documents for a disbursement together by month.

Views of Responsible Officials – Procedures have been discussed with bookkeeper to ensure all supporting documentation is collected and filed when payments are made from student activity funds.

- III. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for inventory for sale.

Condition – No Inventory Control Worksheets (F-SA-5) were prepared.

Cause – Lack of implementation of Redbook policy.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

DAWSON SPRINGS JR/SR HIGH SCHOOL, continued

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – Activities involving inventory for sale shall use the Inventory Control Worksheet (F-SA-5) detailing the beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales and any other stocked items held for resale.

Views of Responsible Officials – Procedures have been discussed with bookkeeper, Principal and coordinators to ensure forms are completed as required in a timely manner. Management will train bookkeeper and concessions coordinator on inventory procedures. This will improve in the upcoming year.

- IV. Criteria** – *Accounting Procedures for Kentucky School Activity Funds* (“Redbook”) sets accounting guidelines for fundraisers.

Condition – Fundraiser Worksheets (F-SA-2B) were completed without appropriate Fundraiser Approval (F-SA-2A) forms.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – The Fundraiser Approval (F-SA-2A) shall be obtained prior to commencing the fundraising activity. The activity sponsor shall complete the Fundraiser Worksheet (F-SA-2B) and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Views of Responsible Officials – Recommendation has been discussed with bookkeeper and Principal to ensure the correct forms are completed for all fundraising events.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

DAWSON SPRINGS ELEMENTARY SCHOOL

- I. **Condition** – Receipt numbers are not noted on deposit tickets.

Recommendation – Redbook procedures require that the deposit slip shall note the receipt numbers in the deposit.

Current Status – This finding was not repeated for fiscal year June 30, 2019.

DAWSON SPRINGS JR/SR HIGH SCHOOL

- I. **Condition** – The check number was not noted on paid invoices.

Recommendation – Redbook procedures require that the check number and date paid shall be noted on the invoice.

Current Status – This finding was not repeated for fiscal year June 30, 2019.

- II. **Condition** – Ticket Sales testing revealed that the full and unsold start and end tickets were not attached to the Requisition and Report of Ticket Sales (F-SA-1).

Recommendation – Redbook procedures require that the beginning unsold ticket and the next available unsold ticket be attached to the report and verified by the person in charge of sales and the school treasurer to account for the money collected.

Current Status – This finding was repeated for fiscal year June 30, 2018 and 2019.

Views of Responsible Officials – Ticket Sale procedures have been discussed with bookkeeper and Principal. Bookkeeper will review all ticket sale forms and will return to the person responsible if corrections are needed.

- III. **Condition** – Sales from Concessions/Bookstore Form (F-SA-17) was completed by the individual preparing the Inventory Control Worksheet.

Recommendation – Redbook procedures require there shall be two different individuals involved each time money is collected for sales from concessions/bookstore: one to collect and count the monies from sales and a separate individual to complete the Inventory Control Worksheet.

Current Status – This finding was not repeated for fiscal year June 30, 2019.

- IV. **Condition** – Principal did not indicate date of review of the bank statement.

Recommendation – Redbook procedures require that the Principal review, sign and date the front page of the bank statement prior to the treasurer having access to it for reconciliation and financial report preparation.

Current Status – This finding was not repeated for fiscal year June 30, 2019.