DANVILLE INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
REPORTS OF INDEPENDENT AUDITORS

YEAR ENDED JUNE 30, 2019

DANVILLE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

DANVILLE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

Stiles, Carter & Associates
Certified Public Accountants
www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Danville Independent School District (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.

Auditor's Responsibility

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

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

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

2901 Ring Road East, P.O. Box 622 / Elizabethtown, KY 42702-0622 / Phone 270-769-6371 / Fax 270-765-7934
713 McDowell Blvd. / Bardstown, KY 40004 / Phone 502-348-1433 / Fax 502-349-6365

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Danville 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, the District adopted Governmental Accounting Standards Board Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 4 – 9 and 53 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and school activity funds 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, school activity funds, 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, school activity funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2019, on our consideration of Danville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Danville Independent School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates, CPAs, P.S.C.

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 15, 2019

As management of the Danville Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

FINANCIAL HIGHLIGHTS

- The ending cash and cash equivalents balance for the District for the year ended June 30, 2019 (FY19) was $7.78 million, including a construction fund cash balance of $4.78 million.
- The District's property tax base is derived from residential growth and assessments. The District levied FY19 property tax rates of 94.6 cents per $100 for real estate and tangible property. This rate reflects an increase of 0.1 cent increase from the FY18 rate of 94.5 cents. The motor vehicle rate of 66.9 cents per $100 of assessed value and the 3% utility tax rate remained unchanged from FY18.
- The District ended FY19 with an unassigned fund balance in the general fund of approximately $3.6 million, reflecting a 12% decrease from the previous year. The unassigned fund balance approximates a 17.5% contingency.
- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education's stringent compliance regulations. The District's bond debt was reduced $1.155 million in FY19.
- The District's major construction project for FY19 included the following project: Tolliver Elementary School Renovations; Bate Middle School softball field, Hogsett Elementary Renovations, and the purchase and renovation a new administrative building.
- At the end of FY19, the District reported a net pension liability of $6.9 million related to the County Employees Retirement System representing an increase of $198 thousand compared to the net pension liability recorded at the end of FY18.
- At the end of FY19, the District reported a net post-employment benefit obligation (OPEB) of $6.2 million related to the Teacher's Retirement System OPEB which represents a decrease of $5 thousand compared to the net TRS OPEB liability recorded at the end of FY18.
- At the end of FY19, the District reported a net OPEB liability of $2.0 million related to the County Employees Retirement System OPEB plan representing a decrease of $289 thousand compared to the CERS net OPEB liability recorded at the end of FY18.

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 are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources'" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service and child care operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12 through 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately $1.8 million as of June 30, 2019.

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

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

Net Position

The 2019 Government-wide net position compared to 2018 is as follows:

Net Position
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 8,550,130	$ 6,713,984	$ 338,901	$ 272,567	$ 8,889,031	$ 6,986,551
Capital assets	33,648,111	26,949,407	18,773	22,106	33,666,884	26,971,513
Total assets	42,198,241	33,663,391	357,674	294,673	42,555,915	33,958,064
Deferred outflows of resources	2,507,620	2,819,134	390,206	477,539	2,897,826	3,296,673
Long-term debt	40,281,665	32,849,682	1,546,280	1,510,678	41,827,945	34,360,360
Other liabilities	3,975,363	2,764,147	-	1,833	3,975,363	2,765,980
Total liabilities	44,257,028	35,613,829	1,546,280	1,512,511	45,803,308	37,126,340
Deferred inflows of resources	1,225,024	847,558	185,389	162,560	1,410,413	1,010,118
Net position:						
Net investment in capital assets	7,486,335	8,357,950	18,773	22,106	7,505,108	8,380,056
Restricted	3,564,020	1,189,712	-	-	3,564,020	1,189,712
Unrestricted	(11,826,546)	(9,526,524)	(1,002,562)	(924,965)	(12,829,108)	(10,451,489)
Total net position	$ (776,191)	$ 21,138	$ (983,789)	$ (902,859)	$ (1,759,980)	$ (881,721)

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets increased approximately $6.70 million due to current year depreciation of $1.68 million offset by FY2019 additions of approximately $8.4 million primarily as a result of construction costs related to the completion of Toliver Elementary Renovations, Hogsett Elementary Renovations – Phase I, purchase and renovation of new administrative office at 115 East Lexington Avenue, and Bate Middle School softball field.
- Total long-term obligations for bonds increased approximately $7.7 million as a result of Series 2018 project bonds issued for $8.885 million offset by regularly scheduled principal payments of $1.16 million. The District's proportionate share of CERS reported net pension liability increased approximately $198 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net pension liability was $6.88 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability decreased approximately $289 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the CERS net OPEB liability was $2.01 million (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability decreased approximately $5 thousand during fiscal year 2019. As of June 30, 2019, the District's proportionate share of the TRS net OPEB liability was $6.24 million (as actuarially determined by TRS).

Change in Net Position

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2019 and 2018.

Changes in Net Position
(Table 2)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues						
Charges for services	$ 67,042	$ 69,795	$ 131,676	$ 122,589	$ 198,718	$ 192,384
Operating grants and contributions	(140,429)	11,906,661	1,425,513	1,550,496	1,285,084	13,457,157
Capital grants and contributions	1,286,036	1,094,232	-	-	1,286,036	1,094,232
General Revenues						
Property taxes	8,113,076	8,235,240	-	-	8,113,076	8,235,240
Motor vehicle taxes	518,007	479,252	-	-	518,007	479,252
Utility taxes	1,090,766	1,102,072	-	-	1,090,766	1,102,072
Investment earnings	101,463	57,628	903	669	102,366	58,297
State aid formula grants	6,910,842	6,759,473	-	-	6,910,842	6,759,473
Gain (loss) on sale of equipment	5,084	23,464	-	-	5,084	23,464
Miscellaneous	500,863	537,008	-	-	500,863	537,008
Total revenues	18,452,750	30,264,825	1,558,092	1,673,754	20,010,842	31,938,579
EXPENSES						
Program Activities						
Instruction	8,360,642	19,355,312	-	-	8,360,642	19,355,312
Student support	1,026,549	1,051,491	-	-	1,026,549	1,051,491
Instruction staff support	2,070,717	2,075,687	-	-	2,070,717	2,075,687
District administration support	718,675	593,405	-	-	718,675	593,405
School administrative support	1,330,569	1,475,514	-	-	1,330,569	1,475,514
Business support	661,714	576,876	-	-	661,714	576,876
Plant operation and maintenance	3,044,898	2,641,335	-	-	3,044,898	2,641,335
Student transportation	917,469	1,039,423	-	-	917,469	1,039,423
Community service activities	252,297	233,271	-	-	252,297	233,271
Facilities acquisition and constructi	69,040	-	-	-	69,040	-
Interest on long-term debt	797,508	585,532	-	-	797,508	585,532
Food service	-	-	1,548,915	1,735,377	1,548,915	1,735,377
Child care	-	-	90,107	87,417	90,107	87,417
Total expenses	19,250,078	29,627,846	1,639,022	1,822,794	20,889,100	31,450,640
Transfers	-	(3,623)	-	3,623	-	-
CHANGE IN NET POSITION	$ (797,328)	$ 633,356	$ (80,930)	$ (145,417)	$ (878,258)	$ 487,939

The following are significant current year transactions impacting the Changes in Net Position:

- Total revenues decreased approximately $11.93 million primarily due to decreases in on-behalf revenues of $12.01 million related to the decrease in the TRS net pension liability and decreases in property taxes of $112 thousand offset by additional increases in capital grants and contributions of approximately $192 thousand and increases in state aid formula grants of approximately $151 thousand.
- Total expenses decreased approximately $10.56 million primarily due to decreases in on-behalf expenses of $12.01 million related to the decrease in the TRS net pension liability; offset by increases in Plant Operations and Maintenance ($404 thousand increase); increases in District Administrative Support ($125 thousand increase); and increases in interest expense related to additional bonds issued in FY19 ($212 thousand increase).

Capital Assets

At the end of fiscal year 2019, the School District had approximately $33.67 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2019 and 2018 balances.

Capital Assets, Net of Depreciation
(Table 3)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	$ 456,278	$ 366,778	$ -	$ -	$ 456,278	$ 366,778
Land improvements	439,565	340,317			439,565	340,317
Buildings and improvements	24,603,879	9,173,102	-	-	24,603,879	9,173,102
Technology Equipment	-	15,486	-	-	-	15,486
Vehicles	827,266	864,101	-	-	827,266	864,101
General equipment	375,080	146,401	18,773	22,106	393,853	168,507
Total	26,702,068	10,906,185	18,773	22,106	26,720,841	10,928,291
Construction in process	6,946,043	16,043,222	-	-	6,946,043	16,043,222
Total	$ 33,648,111	$ 26,949,407	$ 18,773	$ 22,106	$ 33,666,884	$ 26,971,513

The following was the major capital asset placed in service during fiscal year 2019:

Toliver Elementary addition and renovations	$ 16,049,384
Administration Building (Lexington Ave.) and improvements	821,004
Bates Middle School softball field	277,086
Danville High School roof replacement	173,874
Bus	112,689

An additional $6.11 million capital expenditures were included in construction in process at June 30, 2019 for renovations and additions at Toliver Elementary. Construction in process for the Mary Hogsett renovations project at June 30, 2019 totals $6,346,999.

Debt

At June 30, 2019, the School District had $26,708,990 in bonds outstanding. Of this amount, $19,923,057 is to be paid by the Kentucky School Facility Construction Commission. A total of $1,295,000 is due within one year.

General Fund – Budget Highlights

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

Budgeted expenditures of approximately $24.5 million compare with actual expenditures of approximately $21.9 million. The most significant fluctuation is in the other category for $1.68 million budget for contingency that was not needed. Additional significant variances from budgeted amounts include: (1) state on-behalf expenditures and revenues being over budget by $430 thousand; (2) School administrative expenditures were under by $425 thousand; and (3) Student Transportation was under budget by $224 thousand.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 – 52 of this report.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2018-2019 with a contingency that exceeded the 2% minimum. The District has adopted a budget for 2019-2020 with a contingency that exceeds the 2% requirement.

ADDITIONAL CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Teresa Osbourn Finance Officer, 152 East Martin Luther King Blvd., Danville, Kentucky 40422.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$ 7,619,861	$ 155,637	$ 7,775,498
Inventory	-	32,814	32,814
Receivables:			
Taxes-current	156,749	-	156,749
Taxes-delinquent	3,587	-	3,587
Other receivables	297,360	-	297,360
Intergovernmental-Indirect Federal	354,000	150,450	504,450
Prepaid expenses	118,573	-	118,573
Total Current Assets	8,550,130	338,901	8,889,031
Noncurrent Assets			
Non-depreciable capital assets	7,402,321	-	7,402,321
Depreciable capital assets, net of accumulated depreciation	26,245,790	18,773	26,264,563
Total Noncurrent Assets	33,648,111	18,773	33,666,884
Total Assets	$ 42,198,241	$ 357,674	$ 42,555,915
Deferred Outflows of Resources			
Deferred amount on debt refundings	$ 101,238	$ -	$ 101,238
CERS - Pension	1,396,680	294,228	1,690,908
CERS - OPEB	455,604	95,978	551,582
TRS - OPEB	554,098	-	554,098
Total Deferred Outflows of Resources	$ 2,507,620	$ 390,206	$ 2,897,826
Liabilities			
Current Liabilities			
Accounts payable	$ 1,699,727	$ -	$ 1,699,727
Accrued liabilities	39,889	-	39,889
Unearned revenues	377,025	-	377,025
Bond obligations	1,295,000	-	1,295,000
Capital lease obligations	29,474	-	29,474
Compensated absences	240,598	-	240,598
Interest payable	293,650	-	293,650
Total Current Liabilities	3,975,363	-	3,975,363
Noncurrent Liabilities			
Bond obligations	25,046,037	-	25,046,037
Capital lease obligations	48,549	-	48,549
Compensated absences	1,607,979	-	1,607,979
Net pension liability - CERS	5,683,222	1,197,240	6,880,462
Net OPEB liability - CERS	1,656,878	349,040	2,005,918
Net OPEB liability - TRS	6,239,000	-	6,239,000
Total Noncurrent Liabilities	40,281,665	1,546,280	41,827,945
Total Liabilities	$ 44,257,028	$ 1,546,280	$ 45,803,308
Deferred Inflows of Resources			
CERS - Pension	$ 545,188	$ 114,851	$ 660,039
CERS - OPEB	334,836	70,538	405,374
TRS - OPEB	345,000	-	345,000
Total Deferred Inflows of Resources	$ 1,225,024	$ 185,389	$ 1,410,413
Net Position			
Net investment in capital assets	$ 7,486,335	$ 18,773	$ 7,505,108
Restricted	3,564,020	-	3,564,020
Unrestricted	(11,826,546)	(1,002,562)	(12,829,108)
Total Net Position	$ (776,191)	$ (983,789)	$ (1,759,980)

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	$ 8,360,642	$ 53,657	$ (2,575,561)	$ -	$ (10,882,546)	$ -	$ (10,882,546)
Support services:							
Student	1,026,549	-	388,658	-	(637,891)	-	(637,891)
Instruction staff	2,070,717	-	725,672	-	(1,345,045)	-	(1,345,045)
District administrative	718,675	-	139,985	-	(578,690)	-	(578,690)
School administrative	1,330,569	-	405,561	-	(925,008)	-	(925,008)
Business	661,714	-	141,947	-	(519,767)	-	(519,767)
Plant operation and maintenance	3,044,898	-	354,300	-	(2,690,598)		(2,690,598)
Student transportation	917,469	10,521	59,175	-	(847,773)	-	(847,773)
Community service activities	252,297	-	219,834	-	(32,463)	-	(32,463)
Other	-	2,864	-	-	2,864	-	2,864
Facilities acquisition and construction	69,040	-	-	626,548	557,508	-	557,508
Interest on long-term debt	797,508	-	-	659,488	(138,020)	-	(138,020)
Total Governmental Activities	19,250,078	67,042	(140,429)	1,286,036	(18,037,429)	-	(18,037,429)
Business-Type Activities:							
Food service	1,548,915	69,882	1,425,513	-	-	(53,520)	(53,520)
Childcare	90,107	61,794	-	-	-	(28,313)	(28,313)
Total Business-Type Activities	1,639,022	131,676	1,425,513	-	-	(81,833)	(81,833)
Total Primary Government	$ 20,889,100	$ 198,718	$ 1,285,084	$ 1,286,036	(18,037,429)	(81,833)	(18,119,262)
		General Revenues:					
		Taxes:					
		Property taxes			8,113,076	-	8,113,076
		Motor vehicle taxes			518,007	-	518,007
		Utility taxes			1,090,766	-	1,090,766
		Investment earnings			101,463	903	102,366
		Gain on disposal of capital assets			5,084	-	5,084
		State and formula grants			6,910,842	-	6,910,842
		Miscellaneous			500,862	-	500,862
		Total general revenues			17,240,100	903	17,241,003
		Change in net position			(797,329)	(80,930)	(878,259)
		Net position - beginning			21,138	(902,859)	(881,721)
		Net position - ending			$ (776,191)	$ (983,789)	$ (1,759,980)

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 2,671,035	$ -	4,782,821	$ 166,005	$ 7,619,861
Due from other funds	235,499	-	-	-	235,499
Receivables:					
Taxes - current	156,749	-	-	-	156,749
Taxes - delinquent	3,587	-	-	-	3,587
Other receivables	10,637	286,723	-	-	297,360
Intergovernmental - Indirect Federal	-	354,000	-	-	354,000
Prepaids	118,573	-	-	-	118,573
Total Assets	$ 3,196,080	$ 640,723	$ 4,782,821	$ 166,005	$ 8,785,629
Liabilities and Fund Balances:					
Liabilities					
Due to other funds	$ -	$ 235,499	$ -	$ -	235,499
Accounts payable	86,722	28,199	1,584,442	364	1,699,727
Accrued liabilities	39,889	-	-	-	39,889
Unearned revenues	-	377,025	-	-	377,025
Total Liabilities	126,611	640,723	1,584,442	364	2,352,140
Fund Balances					
Nonspendable	118,573	-	-	-	118,573
Restricted	200,000	-	3,198,379	165,641	3,564,020
Unassigned	2,750,896	-	-	-	2,750,896
Total Fund Balances	3,069,469	-	3,198,379	165,641	6,433,489
Total Liabilities and Fund Balances	$ 3,196,080	$ 640,723	$ 4,782,821	$ 166,005	$ 8,785,629

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

DANVILLE 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	$ 6,433,489
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	33,648,111
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	101,238
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	2,406,382
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(1,225,024)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(26,341,037)
Capital leases payable	(78,023)
Interest payable	(293,650)
Compensated absences	(1,848,577)
Net pension liability - CERS	(5,683,222)
Net OPEB liability - CERS	(1,656,878)
Net OPEB liability - TRS	(6,239,000)
Net position for governmental activities	$ (776,191)

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

DANVILLE 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	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	$ 7,167,588	$ -	$ -	$ 945,488	$ 8,113,076
Motor vehicle	518,007	-	-	-	518,007
Utilities	1,090,766	-	-	-	1,090,766
Earnings on investments	36,063	424	64,073	902	101,462
Other local revenues	65,092	412,835	-	80,421	558,348
Intergovernmental - State	13,001,713	879,193	-	1,286,036	15,166,942
Intergovernmental - Indirect Federal	-	1,487,788	-	-	1,487,788
Intergovernmental - Direct Federal	-	136,845	-	-	136,845
Total Revenues	21,879,229	2,917,085	64,073	2,312,847	27,173,234
Expenditures:					
Instruction	13,265,296	2,591,421	-	167,294	16,024,011
Support services:					
Student	929,796	80,981	-	736	1,011,513
Instruction staff	1,719,146	254,389	-	21,347	1,994,882
District administrative	706,233	-	-	-	706,233
School administrative	1,279,274	-	-	-	1,279,274
Business	647,197	-	-	-	647,197
Plant operation and maintenance	2,536,406	28,800	-	-	2,565,206
Student transportation	838,054	171	-	6,015	844,240
Facilities acquisition and construction	-	-	7,972,747	-	7,972,747
Community service activities	25,327	212,784	-	-	238,111
Debt service:					
Principal	-	-	-	1,207,389	1,207,389
Interest	-	-	-	655,303	655,303
Total Expenditures	21,946,729	3,168,546	7,972,747	2,058,084	35,146,106
Excess (Deficit) of Revenues over Expenditures	(67,500)	(251,461)	(7,908,674)	254,763	(7,972,872)
Other Financing Sources (Uses):					
Bond proceeds from revenue bonds	-	-	8,885,000	-	8,885,000
Proceeds from disposal of capital assets	4,800	284	-	-	5,084
Transfers in	-	155,671	1,423,815	1,317,244	2,896,730
Transfers out	(1,176,445)	-	-	(1,720,285)	(2,896,730)
Total Other Financing Sources (Uses)	(1,171,645)	155,955	10,308,815	(403,041)	8,890,084
Net Change in Fund Balances	(1,239,145)	(95,506)	2,400,141	(148,278)	917,212
Fund Balance, July 1, 2018	4,308,614	95,506	798,238	313,919	5,516,277
Fund Balance, June 30, 2019	$ 3,069,469	$ -	$ 3,198,379	$ 165,641	$ 6,433,489

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

DANVILLE 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 balances per fund financial statements		$ 917,212
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which captial outlays exceed depreciation expense for the year.		
Capital expenditures	$ 8,520,073	
Depreciation	(1,672,372)	6,847,701
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.		(8,885,000)
Debt service payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. The difference is the amount of principal payment during the year for:		
Principal payments on bonds	1,160,000	
Principal payments on capital leases	47,388	1,207,388
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.		(18,500)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Compensated absences - long-term	(197,170)	
Changes in interest payable, discounts, and deferred amounts on refunding	(142,204)	
Pension and OPEB expenses related to changes in the net pension liability, the net OPEB liability, and net changes in deferred outflows and inflows for CERS and TRS pensions and OPEB	(526,756)	(866,130)
Change in net position of governmental activities		$ (797,329)

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

ENDED JUNE 30, 2019

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Assets			
Current Assets			
Cash and cash equivalents	$ 129,756	$ 25,881	$ 155,637
Intergovernmental - Indirect Federal	150,450	-	150,450
Inventory	32,814	-	32,814
Total Current Assets	313,020	25,881	338,901
Noncurrent Assets			
Capital assets, net of accumulated depreciation	18,773	-	18,773
Total Noncurrent Assets	18,773	-	18,773
Total Assets	$ 331,793	$ 25,881	$ 357,674
Deferred Outflows of Resources			
CERS - Pension	$ 273,790	$ 20,438	$ 294,228
CERS - OPEB	89,311	6,667	95,978
Total Deferred Outflows of Resources	$ 363,101	$ 27,105	$ 390,206
Liabilities			
Noncurrent Liabilities			
Net pension liability - CERS	$ 1,114,077	$ 83,163	$ 1,197,240
Net OPEB liability - CERS	324,795	24,245	349,040
Total Noncurrent Liabilities	1,438,872	107,408	1,546,280
Total Liabilities	$ 1,438,872	$ 107,408	$ 1,546,280
Deferred Inflows of Resources			
CERS - Pension	$ 106,873	$ 7,978	$ 114,851
CERS - OPEB	65,638	4,900	70,538
Total Deferred Inflows of Resources	$ 172,511	$ 12,878	$ 185,389
Net Position			
Net investment in capital assets	$ 18,773	$ -	$ 18,773
Unrestricted	(935,262)	(67,300)	(1,002,562)
Total Net Position	$ (916,489)	$ (67,300)	$ (983,789)

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Operating Revenues			
Lunchroom sales	$ 69,487	$ -	$ 69,487
Other revenue	395	-	395
Tuition and fees	-	61,794	61,794
Total Operating Revenues	69,882	61,794	131,676
Operating Expenses			
Salaries, wages and benefits	808,318	82,416	890,734
Materials and supplies	731,907	7,691	739,598
Depreciation	8,690	-	8,690
Total Operating Expenses	1,548,915	90,107	1,639,022
Operating loss	(1,479,033)	(28,313)	(1,507,346)
Non-Operating Revenues (Expenses)			
Federal grants	1,235,868	-	1,235,868
Donated commodities	86,510	-	86,510
Interest income	903	-	903
State grants	11,585	-	11,585
State on-behalf payments	91,550	-	91,550
Total Non-Operating Revenues (Expenses)	1,426,416	-	1,426,416
Transfers in	-	-	-
Changes in net position	(52,617)	(28,313)	(80,930)
Net Position, July 1, 2018	(863,872)	(38,987)	(902,859)
Net Position, June 30, 2019	$ (916,489)	$ (67,300)	$ (983,789)

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	$ 69,487	$ -	$ 69,487
Other revenue	395	-	395
Tuition and fees	-	61,794	61,794
Cash paid to/for:			
Employees	(608,544)	(44,876)	(653,420)
Supplies	(646,142)	(7,691)	(653,833)
Net Cash Provided (Used) by Operating Activities	(1,184,804)	9,227	(1,175,577)
Cash flows from Non-Capital Financing Activities			
Federal grants	1,126,485	-	1,126,485
State grants	11,585	-	11,585
Net Cash Provided by Non-Capital Financing Activities	1,138,070	-	1,138,070
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(5,357)	-	(5,357)
Net Cash Used by Capital and Related Financing Activities	(5,357)	-	(5,357)
Cash Flows from Investing Activities			
Receipt of interest income	903	-	903
Net Cash Provided by Investing Activities	903	-	903
Net change in cash and cash equivalents	(51,188)	9,227	(41,961)
Balances, beginning of year	180,944	16,654	197,598
Balances, end of year	$ 129,756	$ 25,881	$ 155,637
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	$ (1,479,033)	$ (28,313)	$ (1,507,346)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	8,690	-	8,690
Donated commodities	86,510	-	86,510
State on-behalf payments	91,550	-	91,550
CERS pension and OPEB expense	108,224	37,540	145,764
Change in assets and liabilities:			
Inventory	1,088	-	1,088
Accounts payable	(1,833)	-	(1,833)
Net Cash Provided (Used) by Operating Activities	$ (1,184,804)	$ 9,227	$ (1,175,577)
Schedule of Non-cash Transactions			
Donated commodities received from federal government	$ 86,510	$ -	$ 86,510
State on-behalf payments	$ 91,550	$ -	$ 91,550
CERS Pension and OPEB	$ 108,224	$ 37,540	$ 145,764

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2019

		Agency Funds
Assets		
Cash and cash equivalents	$	112,504
Receivables		618
Total Assets	$	113,122
Liabilities		
Accounts payable	$	6,512
Due to student groups		106,610
Total Liabilities	$	113,122

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Danville Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Danville Independent Board of Education (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 included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. 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 Danville Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Danville Independent School District Finance Corporation – In 1988, the Board of Education resolved to authorize the establishment of the Danville Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the Corporation) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. The Corporation is blended into the District's financial statements.

Basis of Presentation

The District's basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities accompanied by a total column.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. Governmental Fund Types

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

B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 70 - 71. This is a major fund of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

D. The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

II. Proprietary Fund Types (Enterprise Funds)

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

B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating.

III. Fiduciary Fund Type

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, 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 of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the city. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The property tax rates assessed for the year ended June 30, 2019, to finance the District's operations were $0.946 per $100 valuation for real property, $0.955 per $100 valuation for business personal property and $0.6690 per $100 valuation for motor vehicles.

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

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. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

Description	Governmental Activities Estimated Lives
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

Interfund Balances

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgetary Process

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

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

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

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

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

Encumbrances

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

Cash, Cash Equivalents, and Investments

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

The District's investment are reported at fair value.

Inventories

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

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 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.

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 retirement at 30% of the current rate of pay on the date of 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 retirements. Compensated absences are not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pension and OPEB Plans

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS and CERS. 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.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable fund balance* - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its decision making authority to be reported as committed, amounts cannot be used for any other purpose unless the District takes action to remove or change the constraint.
- *Assigned fund balance* - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

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

Operating Revenues

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued And Adopted Accounting Principles

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – ESTIMATES

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

NOTE 3 – CASH, CASH EQUIVALENTS, AND DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2019, $4,868,322 of the District's bank balance of $5,118,322 was exposed to custodial credit risk. The $4,868,322 of the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution at June 30, 2019.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	$ 366,778	$ 108,000	$ (18,500)	$ 456,278
Construction in progress	16,043,222	7,773,209	(16,870,388)	6,946,043
Total Capital Assets Not Being Depreciated	16,410,000	7,881,209	(16,888,888)	7,402,321
Capital Assets Being Depreciated:				
Land improvements	704,422	127,771	-	832,193
Buildings and improvements	26,650,986	16,871,267	-	43,522,253
Technology equipment	1,282,246	-	(52,211)	1,230,035
Vehicles	2,095,629	112,689	-	2,208,318
General equipment	1,677,836	267,028	-	1,944,864
Total Capital Assets Being Depreciated at Historical Cost	32,411,119	17,378,755	(52,211)	49,737,663
Accumulated depreciation:				
Land improvements	364,105	28,523	-	392,628
Buildings and improvements	17,477,884	1,440,490	-	18,918,374
Technology equipment	1,266,760	15,486	(52,211)	1,230,035
Vehicles	1,231,528	149,524	-	1,381,052
General equipment	1,531,435	38,349	-	1,569,784
Total accumulated depreciation	21,871,712	1,672,372	(52,211)	23,491,873
Total Other Capital Assets, net	10,539,407	15,706,383	-	26,245,790
Governmental Activities Capital Assets - Net	$ 26,949,407	$ 23,587,592	$ (16,888,888)	$ 33,648,111

Depreciation was charged to governmental functions as follows:

Instruction	$ 671,773
Student support	4,930
Plant	869,694
Transportation	125,975
	$ 1,672,372

Business-Type Activities	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Being Depreciated:				
Technology equipment	$ 10,527	$ -	$ -	$ 10,527
General equipment	378,725	5,357	-	384,082
Totals at historical cost	389,252	5,357	-	394,609
Accumulated depreciation:				
Technology equipment	10,527	-	-	10,527
General equipment	356,619	8,690	-	365,309
Total accumulated depreciation	367,146	8,690	-	375,836
Business-type Activities Capital Assets - Net	$ 22,106	$ (3,333)	$ -	$ 18,773

NOTE 5 – LONG-TERM OBLIGATIONS

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

Issue Date	Original Proceeds	Interest Rates
2006 Ref	$ 2,611,000	3.83%
2009 Ref	1,225,000	2.20% - 3.00%
2010 Ref	1,130,000	1.00% - 2.00%
KISTA ED	108,990	1.50% - 4.00%
2014	1,325,000	1.50% - 2.00%
2014 Ref A	2,105,000	1.00% - 3.00%
2014 Ref B	700,000	1.00% - 3.00%
2016	14,655,000	2.00% - 3.00%
2018	8,885,000	2.00% - 3.625%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Danville Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

On August 21, 2018 the District issued $8,885,000 in School Building Revenue Bonds at interest rates ranging from 2.000% to 3.625%. The net proceeds of $8,684,264 (after $70,239 in cost of issuance and $130,497 in bond discount) were deposited in the construction fund. The final principal payment matures September 1, 2035.

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are as follows:

Year Ending June 30	Principal	Interest	SFCC Participation	District's Portion
2020	$ 1,295,000	$ 761,444	$ 562,812	$ 1,493,632
2021	1,330,000	735,657	559,681	1,505,976
2022	1,370,000	708,606	561,970	1,516,636
2023	1,400,000	680,775	562,881	1,517,894
2024	1,425,000	651,007	561,944	1,514,063
2025- 2029	6,565,000	2,713,664	2,555,307	6,723,357
2030 - 2034	6,803,990	1,752,556	2,401,118	6,155,428
2035 - 2037	6,520,000	587,635	953,878	6,153,757
	$ 26,708,990	$ 8,591,344	$ 8,719,591	$ 26,580,743

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-term Obligations

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	$ 18,983,990	$ 8,885,000	$ 1,160,000	$ 26,708,990	$ 1,295,000
Capital leases	125,411	-	47,388	78,023	29,474
Less Premium (Discount)	(261,366)	(130,497)	23,910	(367,953)	-
Total Bonds Payable	18,848,035	8,754,503	1,231,298	26,419,060	1,324,474
Other Liabilities:					
Compensated absences	1,651,407	337,532	140,362	1,848,577	240,598
Total Other Liabilities	1,651,407	337,532	140,362	1,848,577	240,598
Total Governmental Activities Long-Term Liabilities	$ 20,499,442	$ 9,092,035	$ 1,371,660	$ 28,267,637	$ 1,565,072

Capital Leases

The District has entered into multiple capital lease participation agreements issued by the Kentucky Interlocal School Transportation Association (KISTA) for the purchase of four school buses. Future minimum lease payments under the terms of the lease are as follows:

Year Ending June 30	
2020	$ 31,673
2021	32,228
2022	9,076
2023	9,076
	82,053
Less: amount representing interest	(4,030)
Present value of minimum lease payments	$ 78,023
Current maturities	$ 29,474
Non-current maturities	48,549
	$ 78,023

The cost of the buses under capital lease at June 30, 2019 is $808,007.

Capital assets under capital leases are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and building funds. The general fund is primarily responsible for paying accrued sick leave.

NOTE 6 – PENSION PLANS

Plan Descriptions

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

TRS

Retirement Plan

Benefits Provided

For Members Before July 1, 2008:

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

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

NOTE 6 – PENSION PLANS – CONTINUED

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

For Members On or After July 1, 2008:

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

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

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

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

NOTE 6 – PENSION PLANS – CONTINUED

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2019. The District reimburses the State for retirement benefits paid on all federally funded employees.

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

At June 30, 2019, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was $45,714,551.

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 that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0 percent.

For the year ended June 30, 2019, the District recognized pension expense of $3,312,368 and revenue of $3,312,368 in the governmental funds and a negative pension expense of $5,522,972 and negative revenues of $5,522,972 in the government-wide activities for support and amounts provided by the State. At June 30, 2019, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Assumptions

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

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

NOTE 6 – PENSION PLANS – CONTINUED

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	40%	4.20%
International Equity	22%	5.20%
Fixed income	15%	1.20%
Other	8%	3.30%
Real Estate	6%	3.80%
Private Equity	7%	6.30%
Cash	2%	0.90%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It is assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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. 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 the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50)
System's net pension liability (in thousands)	$ 17,595,452	$ 13,726,922	$ 10,472,071

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 6 – PENSION PLANS – CONTINUED

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 16.22 percent of annual creditable compensation. Contributions to the pension plan from the District were $465,543.

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 $6,880,462 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 determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.112974 percent. which was a decrease of .001196 percent from its proportion measured as of June 30, 2017.

NOTE 6 – PENSION PLANS – CONTINUED

For the year ended June 30, 2019, the District recognized pension expense of $527,603. At June 30, 2019, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 224,421	$ 100,715
Changes in actuarial assumptions	672,421	-
Difference between projected and actual investment earnings	319,947	402,447
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,576	156,877
Contributions paid to CERS subsequent to the measurement date	465,543	-
	$ 1,690,908	$ 660,039

The amount reported as deferred outflows for District contributions subsequent to the measurement date of $465,543 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2020	$ 468,822
2021	220,877
2022	(87,444)
2023	(36,929)
	$ 565,326

Actuarial Assumptions

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

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

Actuarial Assumptions

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 for 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

NOTE 6 – PENSION PLANS – CONTINUED

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 and adopted by the Board on December 4, 2014.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of 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.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date 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 discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	$ 8,661,788	$ 6,880,462	$ 5,388,021

NOTE 6 – PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Descriptions

The Danville Independent School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

General Information about the 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 www.trs.ky.gov.

The state reports a liability, deferred outflows of resources and 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 Fund

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.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (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 percent (3.75%) is paid by member contributions and 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 OPEBs

At June 30, 2019, the District reported a liability of $6,239,000 for its proportionate share of the collective net OPEB liability that 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 collective 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, 2018, the District's proportion was 0.17981 percent which was an increase of .00470 percent from its proportion measured as of June 30, 2017.

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 the net OPEB liability	$ 6,239,000
State proportionate share of the net OPEB liability associated with the District	5,377,000
	$ 11,616,000

For the year ended June 30, 2019, the District recognized OPEB expense of $276,026 in the governmental funds and revenues of $373,000 ($276,026 in the governmental funds and an additional $96,974 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 320,000
Change in assumptions	86,000	
Difference between projected and actual investment earnings	-	25,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	143,000	-
Contributions paid to TRS subsequent to the measurement date	325,098	-
	$ 554,098	$ 345,000

Of the total amount reported as deferred outflows of resources related to OPEB, $325,098 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	Pension Expense Amount
2020	$ (26,000)
2021	(26,000)
2022	(26,000)
2023	(15,000)
2024	(17,000)
2024	(6,000)
	$ (116,000)

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

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 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	58.0%	4.60%
Fixed Income	9.0%	1.20%
Real Estate	5.5%	3.80%
Private Equity	6.5%	6.30%
Other (LIBOR)	20.0%	3.30%
Cash	1.0%	0.90%
	100.0%	

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 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.

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1 % Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0)
District's proportionate share of the net OPEB liability	$ 7,316,000	$ 6,239,000	$ 5,342,000

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

	1 % Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 5,173,000	$ 6,239,000	$ 7,553,000

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Fund

Plan description – Life Insurance Fund – TRS administers the life insurance fund 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 Commonwealth.

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

At June 30, 2019, the 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 was $0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was $59,000.

For the year ended June 30, 2019, the District recognized OPEB expense of $3,203 in the governmental funds and revenues of $16,000 ($3,203 in the governmental funds and an additional $12,797 in government-wide activities) for support provided by the Commonwealth. At June 30, 2019, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 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	7.75%
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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40%	4.20%
International Equity	23%	5.20%
Fixed Income	18%	1.20%
Real Estate	6%	3.80%
Private Equity	5%	6.30%
Other	6%	3.30%
Cash	2%	0.90%
Total	100%	

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.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50)
System's net OPEB liability (in thousands)	$ 42,929	$ 28,198	$ 16,144

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (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. The Board 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.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be $10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2019, was 5.26 percent of annual creditable compensation. Contributions to the plan from the District were $150,970.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

At June 30, 2019, the District reported a liability of $2,005,918 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 that date. The District's proportion of 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 school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.112974, which was a decrease of .001196 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of $75,685. At June 30, 2019, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 233,763
Changes in actuarial assumptions	400,612	4,635
Difference between projected and actual investment earnings	-	138,169
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	28,807
Contributions paid to CERS subsequent to the measurement date	150,970	-
	$ 551,582	$ 405,374

Of the total amount reported as deferred outflows of resources related to OPEB, $150,970 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	Pension Expense Amount
2019	$ 1,510
2020	1,510
2021	1,510
2022	28,345
2023	(23,045)
Thereafter	(14,592)
	$ (4,762)

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%, average
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

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 for 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.

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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the 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 assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Large Cap	5.0%	4.50%
U.S. Mid Cap	6.0%	4.50%
U.S. Small Cap	6.5%	5.50%
International Equity	12.5%	6.50%
Emerging Markets	5.0%	7.25%
Global Bonds	4.0%	3.00%
Global IG Credit	2.0%	3.75%
High Yield	7.0%	5.50%
Emerging Market Debt	5.0%	6.00%
Illiquid Private	10.0%	8.50%
Real Estate	5.0%	9.00%
Absolute Return	10.0%	5.00%
Real Return	10.0%	7.00%
Private Equity	10.0%	6.50%
Cash	2.0%	1.50%
	100.0%	

The projection of cash flows used to determine the discount rate of 5.85% 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. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

<u>Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate</u>

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective 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 (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
District's proportionate share of the net OPEB liability	$ 2,605,368	$ 2,005,918	$ 1,495,299

<u>Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates</u> – 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 collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,493,427	$ 2,005,918	$ 2,610,001

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

DEFERRED COMPENSATION

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

NOTE 8 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2019, there were $118,573 nonspendable fund balances related to prepaid expenses.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had $200,000 restricted for sick leave in the General Fund, $3,198,379 restricted for capital projects in the Construction Fund, $164,139 restricted for school activities in the District Activity Funds, and $1,502 restricted for capital projects in the Building Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had no committed funds at June 30, 2019.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There were no amounts assigned related to encumbrances at June 30, 2019. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had no assigned funds at June 30, 2019.

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

NOTE 8 – FUND BALANCES

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

NOTE 9 – TRANSFER OF FUNDS AND INTERFUND BALANCES

The following transfers were made during the year ending June 30, 2019:

Fund Financial Statements:

From Fund	To Fund	Purpose		Amount
General	Special Revenue	Grants	$	155,671
General	Non-major fund	Student Accounts		114,040
General	Non-major fund	Debt Service		309,919
General	Construction fund	Construction		596,815
Non-major fund	Construction fund	Construction		237,561
Non-major fund	Non-major fund	Debt service		893,285
Non-major fund	Construction fund	Construction		589,439

At June 30, 2019, the Special Revenue Fund owed the General Fund $235,499 for expenses paid by the General Fund for the Special Revenue Fund.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 11 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress. The Danville Independent School District is covered by insurance which provides for a defense and response to the litigation.

NOTE 12 – INSURANCE AND RELATED ACTIVITIES

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

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions and general liability coverage, the District purchases insurance with a commercial insurance company. District purchases insurance through Kentucky Employers Mutual Insurance for workers compensation.

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

NOTE 14 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2019 were as follows:

Health	$ 2,468,600
Life	3,870
Admin	31,874
HRA	122,958
TRS - Pension	3,312,368
TRS - OPEB	279,229
Technology	84,912
Debt Service	659,488
Less: Federal Reimbursement	(156,751)
Total on-behalf	$ 6,806,548
Recorded as follows:	
General Fund	$ 6,055,510
Food Service Fund	91,550
Daycare Fund	-
Debt Service Fund	659,488
	$ 6,806,548

NOTE 15 – DEFICIT OPERATING BALANCES

The Food Service Fund and Child Care Fund had a deficit net position at June 30, 2019 in the amounts of $916,489 and $67,300, respectively. The deficit net position is a result of the recording of the net pension liability and net OPEB liability for CERS.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of net position / fund balance:

General Fund	$ 1,239,145
Special Revenue Fund	95,506
District Activity Fund	29
Capital Outlay Fund	69,249
Building Fund	79,000
Food Service Fund	52,617
Child Care Fund	28,313

NOTE 16 – OPERATING LEASE

The District has a fiber optic internet service that began in FY2016. Future payment requirements under the terms of the lease are as follows:

Year Ending June 30	
2020	$ 150,000
2021	150,000
	$ 300,000

NOTE 17 – 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 (contingency).

NOTE 18 – SUBSEQUENT EVENT

In September 2019, the Danville Independent School District Finance Corporation issued $1,900,000 series 2019 School Building Revenue Bonds to fund the construction for renovations and improvements to John W. Bates Middle School and Danville High School. The bonds mature September 1, 2039. Interest on the bonds ranges from 2.50% to 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Original	Final	Actual
Revenues			
From local sources:			
Taxes:			
Property	$ 7,326,000	$ 7,326,000	$ 7,167,588
Motor vehicle	495,000	495,000	518,007
Utilities	1,100,000	1,100,000	1,090,766
Earnings on investments	36,000	36,000	36,063
Other local revenues	17,500	17,500	65,092
Intergovernmental - State	12,595,381	12,595,381	13,001,713
Total Revenues	21,569,881	21,569,881	21,879,229
Expenditures			
Instruction	14,911,650	14,911,650	13,265,296
Support services:			
Student	1,020,095	1,020,095	929,796
Instruction staff	1,869,795	1,869,795	1,719,146
District administrative	793,751	793,751	706,233
School administrative	1,703,903	1,703,903	1,279,274
Business	600,219	600,219	647,197
Plant operation and maintenance	2,535,830	2,535,830	2,536,406
Student transportation	1,062,348	1,062,348	838,054
Community services	17,028	17,028	25,327
Total Expenditures	24,514,619	24,514,619	21,946,729
Excess (Deficit) of Revenues over Expenditures	(2,944,738)	(2,944,738)	(67,500)
Other Financing Sources (Uses)			
Proceeds from disposal of capital assets	-	-	4,800
Transfers in	-	-	-
Transfers out	(1,297,815)	(1,297,815)	(1,176,445)
Total Other Financing Sources (Uses)	(1,297,815)	(1,297,815)	(1,171,645)
Net Change in Fund Balance	(4,242,553)	(4,242,553)	(1,239,145)
Fund Balance, July 1, 2018	4,242,553	4,242,553	4,308,614
Fund Balance, June 30, 2019	$ -	$ -	$ 3,069,469

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Original	Final	Actual
Revenues			
Earnings on investments	$ -	$ -	$ 424
Other local revenues	522,610	522,610	412,835
Intergovernmental - State	924,657	924,657	879,193
Intergovernmental - Indirect Federal	1,658,736	1,658,736	1,487,788
Intergovernmental - Direct Federal	-	-	136,845
Total Revenues	3,106,003	3,106,003	2,917,085
Expenditures			
Instruction	2,659,167	2,659,167	2,591,421
Support services:			
Student	92,242	92,242	80,981
Instruction staff	258,424	258,424	254,389
Plant operation and maintenance	-	-	28,800
Student transportation	-	-	171
Community service activities	215,519	215,519	212,784
Total Expenditures	3,225,352	3,225,352	3,168,546
Excess (Deficit) of Revenues over Expenditures	(119,349)	(119,349)	(251,461)
Other Financing Sources (Uses)			
Proceeds from disposal of capital assets	-	-	284
Transfers in	36,172	36,172	155,671
Total Other Financing Sources (Uses)	36,172	36,172	155,955
Net Change in Fund Balance	(83,177)	(83,177)	(95,506)
Fund Balance, July 1, 2018	-	-	95,506
Fund Balance, June 30, 2019	$ (83,177)	$ (83,177)	$ -

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2019

CERS

	2019	2018	2017	2016	* 2015
Proportion of the net pension liability	0.112974%	0.114170%	0.120837%	0.118955%	0.125763%
Proportionate share of the net pension liability	$ 6,880,462	$ 6,682,721	$ 5,949,530	$ 5,114,515	$ 4,080,000
Covered - employee payroll	$ 2,807,037	$ 2,838,803	$ 2,845,555	$ 2,767,883	$ 3,269,012
Proportionate share of the net pension liability as percentage of covered payroll	245.1%	235.4%	209.1%	184.8%	124.8%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.30%	55.50%	59.97%	66.80%

TRS

	2019	2018	2017	2016	* 2015
Proportion of the net pension liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -
State proportionate share of the net pension liability associated with the District	45,714,551	89,734,893	98,321,795	75,583,336	65,050,191
Total	$ 45,714,551	$ 89,734,893	$ 98,321,795	$ 75,583,336	$ 65,050,191
Covered - employee payroll	$ 10,916,800	$ 9,788,389	$ 9,635,197	$ 9,198,491	$ 9,418,282
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	39.80%	39.80%	35.20%	42.50%	45.59%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULES DISTRICT PENSION CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2019

CERS

	2019	2018	2017	2016	* 2015
Contractually required contribution (actuarially determined)	$ 465,543	$ 406,459	$ 396,013	$ 353,418	$ 352,905
Contribution in relation to the actuarially determined contributions	465,543	406,459	396,013	353,418	352,905
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 2,870,179	$ 2,807,037	$ 2,838,803	$ 2,845,555	$ 2,767,883
Contributions as a percentage of covered employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%

TRS

	2019	2018	2017	2016	* 2015
Contractually required contribution (actuarially determined)	$ -	$ -	$ -	$ -	$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 10,836,600	$ 10,916,800	$ 9,788,389	$ 9,635,197	$ 9,198,491
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30.

CERS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2019.

Changes of assumptions (as of June 30 of the year measurement date):

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

TRS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2019.

Changes of assumptions (as of June 30 of the year measurement date):

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%. In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates 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%. In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – MEDICAL INSURANCE FUND

JUNE 30, 2019

	2019	* 2018
Proportion of the net OPEB liability	0.17981%	0.17511%
District's proportionate share of the net OPEB liability	$ 6,239,000	$ 6,244,144
State proportionate share of the net OPEB liability associated with the District	5,377,000	5,101,000
Total	$ 11,616,000	$ 11,345,144
Covered - employee payroll	$ 10,916,800	$ 9,788,389
District's proportionate share of the net OPEB liability as percentage of covered payroll	57.2%	63.8%
Plan fiduciary net position as a percentage of the total OPEB liability	81.38%	81.38%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

JUNE 30, 2019

	2019	* 2018
Contractually required contribution (actuarially determined)	$ 325,098	$ 327,504
Contribution in relation to the actuarially determined contributions	325,098	327,504
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 10,836,600	$ 10,916,800
Contributions as a percentage of covered employee payroll	3.00%	3.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY – LIFE INSURANCE FUND

JUNE 30, 2019

	2019	* 2018
Proportion of the net OPEB liability	0.00000%	0.00000%
District's proportionate share of the net OPEB liability	$ -	$ -
State proportionate share of the net OPEB liability associated with the District	92,000	68,000
Total	$ 92,000	$ 68,000
Covered - employee payroll	$ 10,916,800	$ 9,788,389
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	80.00%	80.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO THE TRS LIFE INSURANCE FUND

JUNE 30, 2019

	2019	* 2018
Contractually required contribution (actuarially determined)	$ -	$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 10,836,600	$ 10,916,800
Contributions as a percentage of covered employee payroll	0.00%	0.00%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2019

		2019		* 2018
Proportion of the net OPEB liability		0.112974%		0.114170%
Proportionate share of the net OPEB liability	$	2,005,918	$	2,295,208
Covered - employee payroll	$	2,807,037	$	2,838,803
Proportionate share of the net OPEB liability as percentage of covered payroll		71.5%		80.9%
Plan fiduciary net position as a percentage of the total OPEB liability		55.50%		55.50%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

JUNE 30, 2019

	2019	* 2018
Contractually required contribution (actuarially determined)	$ 150,970	$ 131,931
Contribution in relation to the actuarially determined contributions	150,970	131,931
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 2,870,179	$ 2,807,037
Contributions as a percentage of covered employee payroll	5.26%	4.70%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

CERS OPEB

Changes of benefit terms. There were no changes in benefit terms for 2018 to 2019.

Changes of assumptions (as of June 30 of the year measurement date):

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2018 – No changes.

TRS OPEB

Changes of benefit terms.

2018

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

LIF - None

2019 – No changes for MIF or LIF.

Changes of assumptions (as of June 30 of the year measurement date):

The MIF had no changes for 2017 and updated the health care trend rates for 2018. There were no changes in assumptions for 2017 or 2018 for the LIF.

SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	District Activity Fund	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	$ 164,503	$ -	$ -	$ 1,502	$ 166,005
Receivables	-	-	-	-	-
Total Assets	$ 164,503	$ -	$ -	$ 1,502	$ 166,005
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	$ 364	$ -	$ -	$ -	$ 364
Total Liabilities	364	-	-	-	364
Fund Balances					
Restricted	164,139	-	-	1,502	165,641
Total Fund Balances	164,139	-	-	1,502	165,641
Total Liabilities and Fund Balances	$ 164,503	$ -	$ -	$ 1,502	$ 166,005

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	District Activity Fund	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	$ -	$ -	$ -	$ 945,488	$ 945,488
Earnings on investments	902	-	-	-	902
Other local revenue	80,421	-	-	-	80,421
Intergovernmental - State	-	168,312	659,488	458,236	1,286,036
Total Revenues	81,323	168,312	659,488	1,403,724	2,312,847
Expenditures					
Instruction	167,294	-	-	-	167,294
Support services:					
Student	736	-	-	-	736
Instruction staff	21,347	-	-	-	21,347
Student transportation	6,015	-	-	-	6,015
Debt service:					
Principal	-	-	1,207,389	-	1,207,389
Interest	-	-	655,303	-	655,303
Total Expenditures	195,392	-	1,862,692	-	2,058,084
Excess (Deficit) of Revenues over Expenditures	(114,069)	168,312	(1,203,204)	1,403,724	254,763
Other Financing Sources (Uses)					
Transfers in	114,040	-	1,203,204	-	1,317,244
Transfers out	-	(237,561)	-	(1,482,724)	(1,720,285)
Total Other Financing Sources (Uses)	114,040	(237,561)	1,203,204	(1,482,724)	(403,041)
Net Change in Fund Balances	(29)	(69,249)	-	(79,000)	(148,278)
Fund balance, July 1, 2018	164,168	69,249	-	80,502	313,919
Fund balance, June 30, 2019	$ 164,139	$ -	$ -	$ 1,502	$ 165,641

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS

JUNE 30, 2019

	MARY G. HOGSETT ELEMENTARY	JENNIE ROGERS ELEMENTARY	TOLIVER ELEMENTARY	BATE MIDDLE	DANVILLE HIGH	TOTAL AGENCY FUND
Assets						
Cash and cash equivalents	$ 4,695	$ -	$ 241	$ 35,360	$ 72,208	$ 112,504
Receivables	-	618	-	-	-	618
Total Assets	$ 4,695	$ 618	$ 241	$ 35,360	$ 72,208	$ 113,122
Liabilities						
Accounts payable	$ -	$ -	$ -	$ 6,512	$ -	$ 6,512
Due to student groups	4,695	618	241	28,848	72,208	$ 106,610
Total Liabilities	$ 4,695	$ 618	$ 241	$ 35,360	$ 72,208	$ 113,122

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – ALL SCHOOLS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

SCHOOL	CASH BALANCE JULY 1, 2018	RECEIPTS	DISBURSE-MENTS	CASH BALANCE JUNE 30, 2019	RECEIVABLES JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	DUE TO STUDENT GROUPS JUNE 30, 2019
MARY G. HOGSETT ELEMENTARY	$ 3,533	$ 11,392	$ 10,230	$ 4,695	$ -	$ -	$ 4,695
JENNIE ROGERS ELEMENTARY	891	-	891	-	-	-	-
TOLIVER ELEMENTARY	1,554	19,651	20,964	241	-	-	241
BATE MIDDLE	30,459	76,664	71,763	35,360	618	6,512	29,466
DANVILLE HIGH	95,644	259,378	282,814	72,208	-	-	72,208
	$ 132,081	$ 367,085	$ 386,662	$ 112,504	$ 618	$ 6,512	$ 106,610

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – DANVILLE INDEPENDENT HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NAME OF ACTIVITY	CASH BALANCES JULY 1, 2018	RECEIPTS	DISBURSE-MENTS	CASH BALANCES JUNE 30, 2019	RECEIVABLES JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	DUE TO STUDENT GROUPS JUNE 30, 2019
ART	$ 17	$ -	$ -	$ 17	$ -	$ -	$ 17
OPERATION CHRISTMAS	-	150	150	-	-	-	-
CAREER ASSOCIATION	270	-	-	270	-	-	270
COMMUNITY SERVICE	12	-	-	12	-	-	12
STUDENT PARKING TAG	-	815	815	-	-	-	-
FEES (STUDENT)	-	4,329	4,329	-	-	-	-
INTERSESSION	196	-	196	-	-	-	-
SCIENCE	2	-	-	2	-	-	2
SOCIAL STUDIES	11	-	-	11	-	-	11
FMD	36	-	-	36	-	-	36
SENIOR SCHOLARSHIP	38	500	499	39	-	-	39
STUDENT ID BADGES	273	5	-	278	-	-	278
GENERAL ADMINISTRATION	36	1,070	1,075	31	-	-	31
LIBRARY	62	1,120	1,182	-	-	-	-
GUIDANCE	15	1,040	1,040	15	-	-	15
MUSIC/VOCAL	-	1,333	1,333	-	-	-	-
TEXTBOOKS	-	9,892	9,892	-	-	-	-
AP EXAMS	-	14,345	14,345	-	-	-	-
PLAY PRODUCTION	389	2,296	2,685	-	-	-	-
GENERAL ATHLETICS	15,344	65,919	72,108	9,155	-	-	9,155
QUIZ BOWL	292	2,215	2,311	196	-	-	196
YOUTH FOOTBALL	-	3,116	2,960	156	-	-	156
YEARBOOK	4,297	1,644	1,487	4,454	-	-	4,454
VOLLEYBALL	700	5,502	6,202	-	-	-	-
BASS FISHING	550	1,719	1,459	810	-	-	810
BASEBALL	-	4,814	4,534	280	-	-	280
BOYS BASKETBALL	159	16,639	15,190	1,608	-	-	1,608
GIRLS BASKETBALL	2,432	11,054	11,778	1,708	-	-	1,708
CHEERLEADERS	3,372	1,958	3,271	2,059	-	-	2,059
CROSS COUNTRY	2,791	8,186	7,568	3,409	-	-	3,409
GIRLS SOCCER	195	5,215	4,684	726	-	-	726
FOOTBALL	9,938	19,934	25,526	4,346	-	-	4,346
BOYS SOCCER	1,817	2,385	2,011	2,191	-	-	2,191
SWIMMING	-	2,134	2,063	71	-	-	71
BOYS TENNIS	500	665	738	427	-	-	427
GIRLS TENNIS	-	1,092	739	353	-	-	353
TRACK	3,751	7,013	10,285	479	-	-	479
GIRLS SOFTBALL	-	4,732	4,601	131	-	-	131
WRESTLING	24	10,656	9,690	990	-	-	990
YOUTH CHEER	-	1,410	1,290	120	-	-	120
BOB ALLEN PIG SKIN	28,987	22,374	25,426	25,935	-	-	25,935
FACULTY FUND	12	212	189	35	-	-	35
FCA	158	-	-	158	-	-	158
FORENSICS	7,301	28,703	35,393	611	-	-	611
FORENSICS NATIONALS	-	28,597	28,597	-	-	-	-
LEADERSHIP	349	-	248	101	-	-	101
JR STATESMAN OF AMERICA	759	1,790	2,545	4	-	-	4
ARTS PROGRAM	82	1,668	1,600	150	-	-	150
NHS	1,556	300	496	1,360	-	-	1,360
SPANISH CLUB	237	740	976	1	-	-	1
STUDENT COUNCIL	1,835	1,232	2,243	824	-	-	824
SENIOR ACCOUNT	2,518	-	342	2,176	-	-	2,176
STUDENT VENDING	573	521	927	167	-	-	167
GRADUATION PHOTO	652	-	-	652	-	-	652
UK PEER NETWORK PROJ	666	80	192	554	-	-	554
ROBOTICS	61	1,864	1,423	502	-	-	502
TRACK STATE RINGS	500	5,413	5,913	-	-	-	-
CLASS OF 2020	1,247	3,534	4,781	-	-	-	-
THESPIAN CHAPTER ACCOUNT	-	7,057	6,151	906	-	-	906
PEP CLUB	132	287	287	132	-	-	132
CHROMEBOOK DAMAGE FEES	-	1,220	1,220	-	-	-	-
CLASS OF 2021	-	2,118	-	2,118	-	-	2,118
N WEST MUTUAL SCHOLAR	500	1,500	2,000	-	-	-	-
VOLLEYBALL FUNDRAISING	-	4,409	4,077	332	-	-	332
BASEBALL FUNDRAISING	-	200	-	200	-	-	200
CHEERLEADING FUNDRAISING	-	4,814	4,814	-	-	-	-
SOFTBALL FUNDRAISING	-	1,530	620	910	-	-	910
TOTALS	95,644	335,060	358,496	72,208	-	-	72,208
Transfers	-	75,682	75,682	-	-	-	-
TOTALS	$ 95,644	$ 259,378	$ 282,814	$ 72,208	$ -	$ -	$ 72,208

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DANVILLE 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 IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education			
School Breakfast Program	10.553	7750002-18	$ 55,674
		7750002-19	250,676
National School Lunch Program	10.555	7760005-18	163,878
		7760005-19	689,574
Summer Food Service Program for Children	10.559	7740023-18	45,493
		7740023-19	30,573
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	86,510
TOTAL CHILD NUTRITION CLUSTER			1,322,378
TOTAL U.S. DEPT. OF AGRICULTURE			1,322,378
U.S. DEPARTMENT OF EDUCATION			
Special Education Cluster (IDEA) -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	337D	175,681
		337E	205,441
Special Education - Preschool Grants	84.173	343E	22,052
TOTAL SPECIAL EDUCATION CLUSTER			403,174
OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310D	16,956
		310E	653,144
			670,100
Migrant Education - State Grant Program	84.011	311D	22,101
		311E	52,183
			74,284
Career and Technical Education - Basic Grants to States	84.048	348E	24,081
Rural Education	84.358	350D	15,578
		350E	30,445
			46,023
English Language Acquisition State Grants	84.365	345C	6,478
		345D	1,416
		345E	1,546
			9,440
Striving Readers Comprehensive Literacy	84.371C	446E	131,657

See accompanying independent auditor's report and
notes to the schedule of expenditures of federal awards

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

(CONTINUED)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S IDENTIFYING NUMBER	FEDERAL EXPENDITURES
Supporting Effective Education - State Grants	84.367	401D	73,459
		401E	39,752
			113,211
Student Support and Academic Enrichment	84.424	552D	1,958
		552E	28,157
			30,115
TOTAL U.S. DEPARTMENT OF EDUCATION			1,502,085
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,824,463

See accompanying independent auditor’s report and notes to the schedule of expenditures of federal awards

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – FOOD DISTRIBUTION

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

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	__X__ yes	_____ no
• Significant deficiencies(s) identified that are not considered to be material weaknesses?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiencies(s) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____ yes	__X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. DEPARTMENT OF AGRICULTURE
10-553 / 10.555 / 10.559	**Child Nutrition Cluster**

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2019

Section I – Summary of Auditor's Results – Continued

Dollar threshold used to distinguish Between type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II – Financial Statement Findings

MATERIAL WEAKNESS

REFERENCE NUMBER 2019-002 ADJUSTMENTS

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Condition: As part of the audit we proposed material adjustments to the financial statements.

Context: The District is required to make adjustments during the annual closing process. Not all items were adjusted during this process.

Cause: The District did not identify items to be recorded.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Actions:

Management will review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Section III – Federal Award Findings and Questioned Costs

No findings to report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2019

FINDING 2016-001 – MATERIAL WEAKNESS – ADJUSTMENTS

Condition This finding was a material weakness stating that material adjustments were required to the financial statements.

Recommendation: The auditor recommended that the District review its procedures to ensure all adjustments are made to the financial statements.

Current Status: The finding was included as a material weakness in the June 30, 2019 audit at finding 2019-001.

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
PHILIP A. LOGSDON, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
WWW.SCACPA.COM

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Danville Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Danville Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Danville Independent School 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 Danville Independent School District's internal control.

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

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and questioned costs as Finding 2019-001 that we consider to be a material weakness.

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 instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Danville Independent School District's Response to Finding

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

We also noted certain other matters that we reported to management of Danville Independent School District in a separate letter dated November 15, 2019.

Purpose of this Report

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

Stiles, Carter & Associates, CPAs, P.S.C.

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 15, 2019

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

Stiles, Carter & Associates
Certified Public Accountants
www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

INDEPENDENT AUDITOR'S 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 and
Members of the Board of Education
Danville Independent School District
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Danville Independent School District's 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 District's major federal programs for the year ended June 30, 2019. The Danville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Danville Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract. Those standards and the 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 of the Danville Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Danville 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.

2901 Ring Road East, P.O. Box 622 / Elizabethtown, KY 42702-0622 / Phone 270-769-6371 / Fax 270-765-7934
713 McDowell Blvd. / Bardstown, KY 40004 / Phone 502-348-1433 / Fax 502-349-6365

Report on Internal Control Over Compliance

The management of Danville Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Danville Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Danville Independent School District's internal control over compliance.

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

Stiles, Carter & Associates, CPAs, P.S.C.
Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 15, 2019