

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 4, 2019
(Bonds to be Sold September 11, 2019 at 11:00 A.M. E.D.S.T.)**

In the opinion of Bond Counsel, subject to the conditions set forth in "Tax Exemption" herein, under existing laws, interest on the Bonds is excluded from gross income for federal and Kentucky income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. Bond Counsel is further of the opinion that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions. See "Tax Exemption" herein.

**NEW ISSUE
BANK QUALIFIED
BOOK-ENTRY-ONLY-SYSTEM**



**RATING: "A1" Moody's Enhanced
("A2" Underlying)
(See "Rating" Herein)**

\$1,975,000*

**DANVILLE INDEPENDENT (KENTUCKY)
SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS, SERIES OF 2019**

Date: Date of Issuance

Bonds Due: September 1, 2020 through 2039

U.S. Bank National Association, Louisville, Kentucky, has been designated as Paying Agent and Bond Registrar. The School Building Revenue Bonds, Series of 2019 (the "Bonds") will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by the Paying Agent, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on March 1 and September 1, commencing with first interest payment on March 1, 2020. The Bonds will mature in the respective years as shown in the table below.

<u>Cusip#</u> 236663-	<u>Maturity</u> Date	<u>Amount*</u>	<u>Interest</u> Rate	<u>Price/</u> Yield	<u>Cusip#</u> 236663-	<u>Maturity</u> Date	<u>Amount*</u>	<u>Interest</u> Rate	<u>Price/</u> Yield
	9/1/20	\$80,000	%			9/1/30	\$100,000	%	
	9/1/21	85,000				9/1/31	100,000		
	9/1/22	85,000				9/1/32	100,000		
	9/1/23	85,000				9/1/33	105,000		
	9/1/24	85,000				9/1/34	105,000		
	9/1/25	90,000				9/1/35	110,000		
	9/1/26	90,000				9/1/36	115,000		
	9/1/27	90,000				9/1/37	115,000		
	9/1/28	95,000				9/1/38	120,000		
	9/1/29	95,000				9/1/39	125,000		

Electronic bids for the Bonds must be submitted through PARITY® Competitive Bidding System.

The Bonds maturing on and after September 1, 2027 are redeemable at the option of the Corporation on and after September 1, 2026 as described herein.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the project and apply casualty insurance proceeds to such purpose.

The Bonds are offered, subject to prior sale, when, as and if issued by the Corporation, subject to prior approval of legality by Steptoe & Johnson PLLC, Louisville, Kentucky, Bond Counsel. Delivery of the Bonds is expected on or about September 26, 2019.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied within the final Official Statement.

*Preliminary, subject to adjustment



This Preliminary Official Statement has been prepared for submission to prospective bidders for the bonds herein described and is in a form "deemed final" by the Corporation for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**DANVILLE INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION**

Corporation Officers

Steve Becker - President
Troy McCowan - Vice President
Dr. Tammy McDonald - Secretary
Teresa Osbourne - Treasurer
Glen Ball - Director
Lori Finke - Director
Paul Smiley - Director

DANVILLE INDEPENDENT BOARD OF EDUCATION

Board Members

Steve Becker - Chairperson
Troy McCowan - Vice Chairperson
Glen Ball - Member
Lori Finke - Member
Paul Smiley - Member

Dr. Tammy McDonald – Superintendent
Teresa Osbourne – Director of Finance

BOND COUNSEL

Steptoe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

Hilliard Lyons, a Baird Company
Louisville, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Danville Independent School District Finance Corporation or the Danville Independent Board of Education identified on the cover page hereof. No person has been authorized by the Danville Independent School District Finance Corporation or the Danville Independent Board of Education to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the Danville Independent School District Finance Corporation or the Danville Independent Board of Education or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Danville Independent School District Finance Corporation or the Danville Independent Board of Education since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Danville Independent School District Finance Corporation or the Danville Independent Board of Education, will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

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OFFICIAL STATEMENT RELATING TO
\$1,975,000*
DANVILLE INDEPENDENT (KENTUCKY)
SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS, SERIES OF 2019

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is furnished in connection with the offering of \$1,975,000* in principal amount of School Building Revenue Bonds, Series of 2019 (the "Bonds") of the Danville Independent School District Finance Corporation (the "Corporation"). The Bonds will be issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky including, among others, Sections 58.180, 162.120 through 162.300, and 162.385 of the Kentucky Revised Statutes (the "KRS"). The Bonds will be issued in accordance with a resolution (the "Resolution") adopted by the Corporation.

BOOK ENTRY AND DTC

The following information regarding DTC and Cede and Co. will be applicable to the Bonds as long as a book entry system is utilized. The Corporation does not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry", and the Corporation is not required to supervise, and will not supervise, the operation of the book entry system described herein.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

*Preliminary, subject to adjustment

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent or Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Corporation or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Corporation or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

THE BONDS

The Bonds will be issued in the principal amount of \$1,975,000* in fully registered form and in denominations of \$5,000 or any integral multiples thereof, will mature as to principal on September 1, 2020, and thereafter on each September 1 and will bear interest as set forth on the cover page of this Official Statement.

The Bonds maturing on or after September 1, 2027 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after September 1, 2026, in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the project and apply casualty insurance proceeds to such purpose.

Interest accruing on the Bonds will be payable semiannually on March 1 and September 1 of each year (commencing March 1, 2020) from the later of the date of issuance, or the most recent interest payment date to which interest has been paid or duly provided for. The interest installment on each Bond will be paid to the person who is the Registered Owner thereof as of the close of business on the Record Date for such interest installment, which Record Date will be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Payment of interest will be made by check or draft mailed to the person who is the Registered Owner on the applicable Record Date at the address of such Registered Owner as it appears on the books of the Paying Agent and Bond Registrar. Principal will be paid when due upon delivery of the Bond for payment at the principal office of the Paying Agent and Bond Registrar.

See "BOOK ENTRY AND DTC" regarding payment of principal and interest to the Beneficial Owners while the Bonds are in the Book-Entry-Only System.

DANVILLE INDEPENDENT (KENTUCKY) SCHOOL DISTRICT FINANCE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Danville Independent, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d. 569.

AUTHORITY AND SECURITY

The Bonds have been duly authorized by a Resolution (the "Bond Resolution") duly passed by the Board of Directors of the Corporation, pursuant to the authority of Sections 162.120 through 162.300, inclusive, 162.385 and 58.010 through 58.140, inclusive, and 58.180 of the Kentucky Revised Statutes. The Bonds are being issued for the purpose of financing the cost, not otherwise provided, of renovations to John W. Bate Middle School and Danville High School (the "Projects").

The sites of the Projects (the "Project Sites") has been previously conveyed to the Corporation by the Board of Education of Danville Independent Schools, Kentucky (the "Board of Education"). It is reported that contracts for the work have been awarded (with 100% completion bond furnished), and that the proceeds of such Bonds (and the investment of such proceeds pending disbursement), together with additional sums otherwise made available to the Corporation by the Board of Education, will be adequate to assure payment of all anticipated costs of completing the Projects, and all reasonably anticipated contingencies.

The Bonds, in the opinion of Bond Counsel, will constitute legal, valid and binding special obligations of the Danville Independent School District Finance Corporation, payable solely from and secured by an exclusive pledge of and a lien on the revenues of the Projects, which revenues are derived from payments to be made under the Contract, Lease and Option (the "Lease") between the Corporation and the Board of Education, on a year-to-year basis, the initial period of which expires on June 30, 2020 (March 1, 2020, being the first interest payment date, and September 1, 2020 being the first principal maturity date), with the Board of Education having the exclusive option to renew thereafter from year to year (July 1 of each year to June 30 of each ensuing year) for periods of one year at a time until the final maturity of the Bonds (September 1, 2039). In the Lease, the Board of Education agrees to pay annually (as long as the Lease remains in force) rentals in an amount sufficient to pay the principal of and interest on the Bonds as same become due, plus the annual maintenance and insurance costs; provided, however, that the liens and pledges are on parity with similar liens and pledges securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance the Projects (the "Parity Bonds").

In addition to the aforesaid pledge of the revenues created for the benefit of the bondowners, a statutory mortgage lien has been created on the Projects in favor of the bondowners, and the Projects and any appurtenances thereto will remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on the Bonds; provided, however, that said statutory mortgage lien (together with such revenue pledge) is and will be restricted in its application to the Projects and appurtenances thereto financed by the Bonds, and to such easements and rights-of-way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance

of the same; the right being expressly reserved to erect or construct upon any unimproved portion of the Project Sites described in the proceedings authorizing the issuance of the Bonds, other independently financed school building projects free and clear of said statutory mortgage lien, which other independently financed school building projects may or may not have a party wall or walls with and may adjoin the Projects and appurtenances which are subject to said statutory mortgage lien, provided no part of the costs of said other independently financed school building projects is paid from the proceeds of the sale of the Bonds and provided the necessary easements for ingress, egress, sewage lines, septic tank lines and other utility lines shall be deemed to exist and continue to exist for all school buildings, improvements and additions financed by the Bonds.

The right has been reserved by the Corporation, at the request of the Board of Education, to withdraw any unimproved portion of the Project Sites from the property encumbered by the Bonds, and to convey such portion to the Board of Education, for any purpose whatever, if the Board of Education shall certify that such withdrawal and conveyance does not adversely affect the Board of Education's usage of the Projects or adversely affect the security of the Bondowners. Also, the right has been reserved to grant easements and rights-of-way through the property for roads, utilities, drainage and other public purposes, free and clear of the lien and pledge securing the Bonds; provided (a) no such release shall be made which would interfere with the ownership and efficient operation of the Projects, or of any other school buildings and appurtenances securing any other outstanding bonds, or with the use of the surrounding premises for school purposes; (b) no such release may be made which would impair ingress to and egress from any school building; and (c) any such release shall not effect any reduction in the rental otherwise required by the Lease approved in the Resolution.

The right has also been reserved to obtain a release of the Project Sites from the statutory mortgage lien and revenue pledged securing the Bonds by redeeming the same portion of the then outstanding Bonds as the proportion of the original proceeds expended on the Projects.

STATE INTERCEPT

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2020

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2020 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2018.

THE PROJECTS

The Projects consist of renovations at John W. Bate Middle School and Danville High School. The John W. Bate Middle School Project consists of removal of existing roof mounted HVAC units and installation of new zoned variable air volume (VAV) systems. The Building Automation System will also be updated. The Danville High School Project consists of Phase II and Phase III of roofing project.

The estimated sources and uses of funds are as follows:

<u>Sources of Funds*</u>	
Par Amount of Bonds	<u>\$1,975,000</u>
Total	<u>\$1,975,000</u>
<u>Uses of Funds*</u>	
Deposit to Project Fund	\$1,894,623
Underwriter's Discount (@ 2.0%)	39,500
Cost of Issuance & Surplus Funds	<u>40,877</u>
Total	<u>\$1,975,000</u>

*Preliminary, subject to adjustment

DISPOSITION OF BOND PROCEEDS

The Bond proceeds will be applied as follows:

- (a) There shall be paid any and all expenses incident to the issuance, sale and delivery of the Bonds, including the fees of the Municipal Advisor, the rating fee and such other appropriate expenses as may be approved by the Corporation and Board.
- (b) There shall next be deposited to the District's depository bank, Farmer's National Bank, Danville, Kentucky (the "Depository"), the remainder of the Bond proceeds (to be accounted for as a "construction" account on the District's accounting system).

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

MISCELLANEOUS RESOLUTION AND LEASE PROVISIONS

In the Resolution the Corporation has reserved the right to make provision for discharge of the pledges and liens securing the Bonds by depositing in or for the credit of the Bond Fund moneys sufficient to pay all principal and interest requirements on the Bonds to a certain date of redemption or to the date of maturity, or by depositing in the Bond Fund obligations of the United States Government which, together with earnings thereon, will produce such amounts for payment of the Bonds.

The Resolution and the Lease contain tax covenants, representations and warranties to the effect that the Corporation and the Board are in compliance with, and will comply with, the requirements of the United States Internal Revenue Code of 1986, as amended (the "Code"), so that the Bonds will not become "arbitrage bonds" within the meaning of the Code.

STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Pursuant to the provisions of KRS 160.470, it is provided that a local school district budget failing to provide payments for rentals in connection with outstanding revenue bonds for school purposes shall be disapproved. State Department of Education approval of a bond issue and its associated financial, educational and construction plans, is required prior to its issuance and will have been received prior to the sale of this issue. State supervision also extends to other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditure and the annual approval of an operating budget as a prerequisite to such operation. All local boards who have entered into contracts for the issuance of bonds must arrange for insurance protection in an amount equal to the full insurable value of the buildings or to the continuous retention of such insurance. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

THE STATE DEPARTMENT OF EDUCATION HAS ADOPTED A POLICY WHICH REQUIRES THAT ANNUAL BUDGETS OF LOCAL SCHOOL BOARDS PROVIDE FOR RENTAL PAYMENTS FOR DEBT SERVICE IN ORDER FOR SUCH BUDGETS TO BE APPROVED BY SAID DEPARTMENT.

REVENUE SOURCES WITHIN THE DANVILLE INDEPENDENT SCHOOL DISTRICT

Capital Outlay Allotment

Kentucky's SEEK Capital Outlay Program provides for the annual payment to all districts for capital construction or acquisition. Funds from the Capital Outlay Allotment are not directly pledged for debt service, but as a practical matter, and to the extent needed, have been and will continue to be applied to debt service through rental payments on the lease agreement.

The State establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil of the SEEK allotment for the current biennium which is required to be segregated into the Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from overexpenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

Total Capital Outlay Allotment funds allocated to the District for recent fiscal years are shown in **Appendix A**.

SEEK Program Fund

The SEEK Program Fund allocates biennial appropriations from the General Assembly to each Kentucky school district. The base level is determined for each fiscal year by dividing the total SEEK appropriation by the state-wide total of pupils in average daily attendance. Each district's share of the SEEK Program is subject to adjustment to reflect several factors. See "STATE SUPPORT OF EDUCATION" for more details.

See **Appendix A** for a recent history of the SEEK Program Fund appropriations to the District.

FSPK Program

The FSPK Program provides funds for districts to support debt service and capital expenditures. The amount of FSPK funds each district receives is based on a funding formula that takes into consideration a district's average daily attendance and the amount of local revenue generated on a district's tax base relative to a state-wide average assessment.

See **Appendix A** for the District's funds from the FSPK Program for the last five years.

Recallable Nickel

Pursuant to KRS 160.470 and KRS 132.017, on August 17, 2015, the Board adopted and levied a 5 cent real and tangible property increase for debt service and for new school facilities. No opposition to the tax occurred at a public hearing and no petition was filed for recall after passage. The increase generates an additional \$472,744 in local revenue based on the 2018-19 assessments.

Utility Tax

The Board levies a utility gross receipts tax (for school purposes) on the gross receipts derived from the furnishing, within Danville Independent, of telephone, telegraph, electric power, water and gas, subject to certain exemptions. Once levied, the tax remains in effect from year to year unless and until the Board requests its discontinuance. The utility tax is due and payable monthly. Please see **Appendix A** for utility receipts received by the Board.

General Property and Motor Vehicle Tax

The Board levies a tax at a rate per \$100 on real estate, personal property and motor vehicles. See **Appendix A** for the most recent five year period of rates assessed.

Summary of General Fund

The District maintains its books and records on the modified accrual basis method of accounting as prescribed by the Kentucky Department of Education for local school districts. The following table summarizes, on a modified accrual basis, the General Fund activity based on the District's annual financial reports for recent fiscal years to include budgeted 2018-19 and tentative budget 2019-20.

	General Fund				
	Tentative	Working	Actual		
	Budget <u>2019-20</u>	Budget <u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Beginning Balance	\$ 3,159,601	\$ 4,242,553	\$ 4,149,419	\$ 4,023,281	\$ 4,266,807
Revenues:					
Local Sources	9,172,907	8,974,500	8,918,269	8,800,615	8,175,185
State Sources	13,041,712	12,524,528	12,438,983	10,427,359	10,042,073
Federal Sources	-	-	-	-	10
Transfers	-	-	-	-	41,938
Sale of Property, etc.	4,800	-	23,245	5,000	-
Total Revenues	<u>\$ 22,219,419</u>	<u>\$ 21,499,028</u>	<u>\$ 21,380,497</u>	<u>\$ 19,232,974</u>	<u>\$ 18,259,206</u>
Total of All Receipts Plus Beginning Balance	<u>\$ 25,379,020</u>	<u>\$ 25,741,581</u>	<u>\$ 25,529,916</u>	<u>\$ 23,256,255</u>	<u>\$ 22,526,013</u>
Expenditures:					
Total Current Expenses	\$ 25,067,991	\$ 25,354,552	\$ 20,815,594	\$ 17,883,263	\$ 17,753,428
Advancements, Loans & Transfers, etc.	<u>311,029</u>	<u>387,029</u>	<u>1,353,402</u>	<u>475,880</u>	<u>1,119,815</u>
Total Expenditures	<u>\$ 25,379,020</u>	<u>\$ 25,741,581</u>	<u>\$ 22,168,996</u>	<u>\$ 18,359,143</u>	<u>\$ 18,873,243</u>
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,360,920</u>	<u>\$ 4,897,112</u>	<u>\$ 3,652,770</u>

Source: Danville Independent School District

TAX BASE INFORMATION

Homestead Exemption

Section 170 of the Kentucky Constitution was amended by the voters of the Commonwealth of Kentucky at the General Election held November 2, 1971, to exempt from property taxes the first \$6,500 of single-unit residential property of taxpayers 65 years of age or older. Following that election, the 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues through increases in taxes on non-exempt property by amounts equivalent to the revenues lost through application of this homestead exemption. In subsequent sessions of the General Assembly the "single-unit" qualification has been enlarged so as to provide for the exemption to apply to real property "held by legal or equitable title, by the entireties, jointly, in common, as a condominium" maintained as the permanent residence of the owner; and that the \$6,500 exemption "shall be construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as one (1) percent, the maximum exemption shall be adjusted accordingly." The local general property tax rate on non-exempt property has been adjusted so as to recover tax revenues equivalent to the revenues lost through application of the homestead exemption. The amount of the individual exemption as of January 1, 2019 was \$39,300.

Limitation on Taxation

The 1990 Regular Session of the Kentucky General Assembly in enacting the KERA legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy being subject to recall, to permit exception to the referendum under (1) KRS 160.470(12) (a new section of the statute) and (2) and amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are permitted to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment of motor vehicles

certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and is not an item of tax preference for purposes of calculating the Federal alternative minimum tax.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of qualified tax-exempt obligations during the calendar year ending December 31, 2019, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Pursuant to the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, the Board and the Corporation, by the adoption of their respective Resolutions, have designated the Bonds as "qualified tax-exempt obligations" within the meaning of the Code and certified that they do not reasonably anticipate that the total principal amount of tax-exempt obligations which will be issued by the Board or the Corporation during the calendar year ending December 31, 2019, will exceed \$10,000,000.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board having outstanding at the time the Bonds referred to herein are offered for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

The Board and Corporation has made timely filings during the past five years in accordance with its previous undertakings under the Rule, however certain information was missing from the operating and financial filings for fiscal years 2016 and 2017. Supplemental filings for those years were posted to EMMA, as well as a failure to file notice on August 14, 2018. The Board and Corporation adopted written procedures to ensure timely filings going forward.

Financial information regarding the Board may be obtained from Superintendent, Board of Education of the Danville Independent School District, 115 East Lexington Avenue, Danville, KY 40422, Telephone (859-936-8587).

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective

purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds; (ii) in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance of sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the due existence or powers of the Board or Corporation; or (iii) which, if successful, would have a material adverse effect on the financial condition of the Board or Corporation.

MUNICIPAL ADVISOR

Hilliard Lyons, a Baird Company, Louisville, Kentucky, will act as Municipal Advisor to the Board and the Corporation in connection with the issuance of the Bonds and will receive a fee, payable from Bond proceeds, for their services as Municipal Advisor.

On April 1, 2019, Baird Financial Corporation, the parent company of Robert W. Baird & Co. Incorporated ("Baird"), acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird and Hilliard Lyons are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

UNDERWRITING

The Bonds were purchased at a competitive sale held on September 11, 2019, for underwriting to the public by _____ at a purchase price of _____.

The initial public offering prices set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

RATING

Moody's Investors Service ("Moody's") has assigned an "A1" enhanced rating and an "A2" underlying rating to the Bonds. Any explanation of the significance of such rating may be obtained only from Moody's. The Board and Corporation furnished to Moody's certain information and materials about the Bonds and themselves. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody's. Any such downward change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

The statements contained in the Official Statement under the headings Introductory Statement, The Bonds, Danville (Kentucky) Independent School District Finance Corporation, Authority and Security, Biennial Budget for Period Ending June 30, 2020, The Projects, Disposition of Bond Proceeds, Miscellaneous Resolution and Lease Provisions, State Support of Education, Kentucky Department of Education Supervision, Homestead Exemption and Limitation on Taxation under the general heading of Tax Base Information, Tax Exemption; Bank Qualified and Qualified Tax-Exempt Obligations have been reviewed by Steptoe & Johnson PLLC, Bond Counsel, and Bond Counsel has no reason to believe that the statements under such headings are not substantially correct.

Bond Counsel has not undertaken to review the accuracy or completeness of statistical and geographical information contained in this Official Statement, expresses no opinion thereon, assumes no responsibility for same and has not undertaken to verify any information contained herein.

COMPLETENESS OF OFFICIAL STATEMENT

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relies upon information furnished to it by the Board and does not assume any responsibility as to the accuracy of completeness of any of the information in this Official Statement. The financial information supplied by the Board and reported herein, is represented by the Board to be correct. Additional financial information for the District, to include audited financial reports, is available upon request to the District's Municipal Advisor, Hilliard Lyons, a Baird Company (502) 588-1124.

DANVILLE INDEPENDENT BOARD OF EDUCATION

By /s/ Steve Becker
Chairperson

DANVILLE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

By /s/ Steve Becker
President

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APPENDIX A

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

Tax Base and Operating Data

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TAX BASE AND OPERATING DATA

Local Tax Rates, Property Assessment and Revenue Collections

Local Tax Rates

Fiscal Year	Real Estate	Tangible Personal	Motor Vehicle	Utility Tax
2018-19	\$.946	\$.955	\$.669	3%
2017-18	.945	.955	.669	3%
2016-17	.955	.955	.669	3%
2015-16	.923	.923	.669	3%
2014-15	.867	.867	.669	3%

Property Assessment

Fiscal Year	Real Estate	Tangible Personal	Franchise	Motor Vehicle	Distilled Spirits	Total Assessments
2018-19	\$721,517,100	\$84,773,308	\$65,089,595	\$74,108,435	\$ --	\$945,488,438
2017-18	707,904,400	93,421,965	63,938,676	69,832,281	249,428	935,346,750
2016-17	679,726,000	105,127,933	48,256,301	69,447,397	47,188	902,604,819
2015-16	676,032,700	98,037,413	42,838,822	66,442,935	629	883,352,499
2014-15	675,432,400	90,680,473	45,923,229	63,719,445	--	875,755,547

Revenue Collections

Fiscal Year	Taxes Levied	Taxes Collected	Percent Collected
2017-18	\$8,325,104	\$8,635,811	103.7%
2016-17	8,223,352	8,450,786	102.3
2015-16	7,753,352	7,861,296	101.4
2014-15	7,555,000	7,870,000	104.2
2013-14	7,348,000	7,762,377	105.6

Capital Outlay, SEEK, and FSPK Funding

Fiscal Year	Capital Outlay	SEEK	FSPK
2019-20 ⁽¹⁾	\$168,839	\$6,901,058	\$449,020
2018-19 ⁽²⁾	168,839	6,830,206	449,020
2017-18	169,249	6,746,715	243,670
2016-17	167,702	6,533,759	256,701
2015-16	162,981	6,290,198	168,550

⁽¹⁾ Estimates based on 2019-20 Tentative Budget Report

⁽²⁾ Estimates based on 2018-19 Working Budget Report

History of Enrollment and ADA

Fiscal Year	Enrollment	Average Daily Attendance
2019-20 (est.)	1,850	1,750
2018-19	1,848	1,745
2017-18	1,846	1,741
2016-17	1,829	1,670
2015-16	1,839	1,643

Source: Danville Independent School District

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APPENDIX B

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

Outstanding Bonds of the District

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**Danville Independent School District Finance Corporation
Outstanding Bonds as of September 1, 2019**

Payable from Local Revenues

<u>Bond Issue</u>	<u>Original Issue Amount</u>	<u>Bonds Retired</u>	<u>Bonds Outstanding</u>
March 22, 2006	\$2,610,000	\$2,160,000	\$450,000
December 4, 2014	2,105,000	320,000	1,785,000
February 27, 2014	14,874	4,038	10,836
February 18, 2016	9,732,574	88,996	9,643,578
August 30, 2018	8,033,643	212,014	7,821,629
	<hr/>	<hr/>	<hr/>
Subtotal	\$22,496,091	\$2,785,048	\$19,711,043

Payable from Non-Local Revenues ⁽¹⁾

February 27, 2014	\$1,310,126	\$270,962	\$1,039,164
December 4, 2014	700,000	165,000	535,000
February 18, 2016	4,922,426	636,004	4,286,422
August 30, 2018	851,357	32,986	818,371
	<hr/>	<hr/>	<hr/>
Subtotal	\$7,783,909	\$1,104,952	\$6,678,957
	<hr/>	<hr/>	<hr/>
Total	\$30,280,000	\$3,890,000	\$26,390,000

(1) Represents bond issues payable by the Kentucky School Facilities Construction Commission subject to biennial appropriations by the Kentucky General Assembly.

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APPENDIX C

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

Demographic and Economic Data

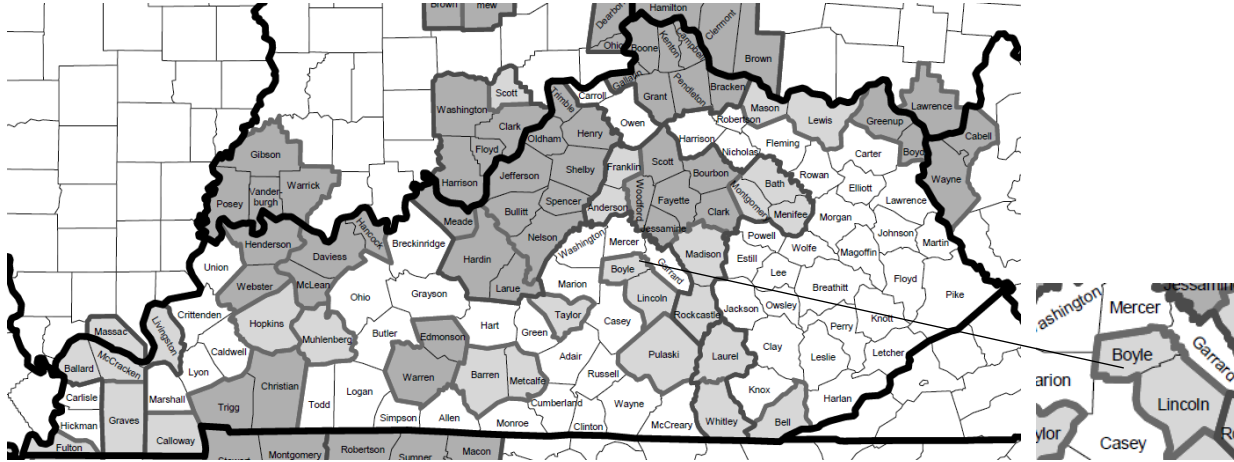
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DANVILLE, KENTUCKY

Danville, the county seat of Boyle County, is located in the gently rolling landscape of central Kentucky's Blue Grass Region. The city's central location and excellent transportation facilities contribute to the city's growth as a manufacturing and distribution center. Danville had an estimated population of 16,804 in 2018. Danville is located 35 miles south of Lexington, Kentucky; 84 miles southeast of Louisville, Kentucky; 155 miles north of Knoxville, Tennessee; and 114 miles south of Cincinnati, Ohio.

Boyle County, with a land area of 181 square miles, had a 2018 estimated population of 30,100 persons.

In the map below, the dark grey-shaded areas denote metropolitan statistical areas, while the light grey areas denote micropolitan statistical areas.



Labor Supply

As of April 2019, there was a current estimated labor supply of 322,272 persons available for industrial jobs in the labor market area which is defined as all counties that substantially fall within a 60 minute drive of the target county's county seat to include Anderson, Casey, Fayette, Garrard, Jessamine, Lincoln, Marion, Mercer, Nelson, Rockcastle, Washington, Woodford and Boyle.

Largest manufacturing employers in Danville, Kentucky, as of June 2019, are as follows:

<u>Firm</u>	<u>Product</u>	<u>Average Employment</u>
LSC Communications	Printing and binding catalogs and magazines	640
American Greetings	Distribution and paper products packaging center	551
Dana Corporation	Diesel and gas engine gaskets	328
Meggitt Aircraft Braking Systems	Manufacture/distribution of brake discs/assemblies, replacement components for airline industry	205
Kentucky Building #1		
National Office Furniture	Wood upholstered furniture	204
Berry Global Inc.	Polyethylene film & stretch wrap	184
Denyo Manufacturing Corp.	Diesel driven generators, natural gas/LPG driven electric generators, air compressors	150
Honeywell Intelligrated Inc.	Conveyor equipment & systems	138
Hobart	Commercial kitchen ware washing equipment manufacturing	114
LaFayette Engineering Inc.	Computer design/ installation of controls for conveyor systems	102

Sources: Kentucky Cabinet for Economic Development, Division of Research and Planning.

Education

The Danville Independent School System provides primary and secondary education within Boyle County. There are 18 four-year college and university campuses, 18 two-year college campuses of higher learning, and 24 technical school campuses located within sixty miles of Danville.

Transportation

Major "AAA" -rated (80,000-pound gross load limit) trucking highways serving Danville are U.S. Highways 127 and 150. Thirty-one common carrier trucking companies provide interstate and/or intrastate service to the city. The Norfolk Southern Corporation provides main line rail service to the city. The Danville-Boyle County Airport maintains two paved runways of 5,000 and 2,400 feet. The nearest scheduled commercial airline service is available at the Blue Grass Airport near Lexington, 38 miles north of Danville.

Power and Fuel

Kentucky Utilities Company provides electric power to Danville and portions of Boyle County. Inter-County Rural Electric Cooperative Corporation serves the major portion of Boyle County. Atmos Energy Corporation provides natural gas service to Danville.

Danville, (Boyle County) Kentucky Economic Statistics 2015-2019

<u>Year</u>	<u>Per Capita Income</u>	<u>Median Family Income</u>	<u>Average Weekly Wage</u>	<u>Employment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
2019	(1)	\$56,500	(1)	12,138 ⁽³⁾	12,652 ⁽³⁾	4.1% ⁽³⁾
2018	(1)	56,100	\$779.00 ⁽²⁾	12,053	12,612	4.4%
2017	\$36,312	52,600	758.00	12,064	12,701	5.0%
2016	34,967	51,000	748.00	11,565	12,157	4.9%
2015	34,660	50,900	738.00	11,259	11,922	5.6%

Source: Kentucky Department of Economic Development, Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Department of Housing and Urban Development

(1) Data not available

(2) Estimated annual average 2018

(3) Preliminary, as of April 2019

Economic Framework

<u>PERSONS BY INDUSTRY</u> ⁽¹⁾	<u>Boyle County, Kentucky</u>	
	<u>Number</u>	<u>Percent</u>
Total All Industries	13,964	100.0%
Construction	402	2.9
Manufacturing	1,999	14.3
Utilities, Trade, and Transportation	2,840	20.3
Information	102	0.7
Finance, Insurance, and Real Estate	505	3.6
Services	6,319	45.3
State/ Local Government	1,753	12.6
Other	44	0.3

Source: Kentucky Center for Education and Workforce Statistics

(1) Annual averages for 2017

Population

The U.S. Census Bureau American Community Survey projected populations for Boyle County and the City of Danville is as follows:

	<u>Boyle County, KY</u>	<u>Danville, KY</u>
2018 Estimate	30,100	16,804
2010 U.S. Census	28,245	16,054
2000 U.S. Census	25,171	14,061

Income

The U.S. Census Bureau, 2017 American Community Survey estimate of household income for Boyle County and the City of Danville is as follows:

<u>HOUSEHOLDS BY INCOME</u>	<u>Boyle County, KY</u>		<u>Danville, KY</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$10,000	793	7.29%	514	8.26%
\$10,000 to \$14,999	683	6.28	464	7.46
\$15,000 to \$24,999	1667	15.33	998	16.04
\$25,000 to \$34,999	1434	13.19	966	15.53
\$35,000 to \$49,999	1555	14.30	917	14.74
\$50,000 to \$74,999	1668	15.34	774	12.44
\$75,000 to \$99,999	1265	11.63	666	10.71
\$100,000 to \$149,999	1253	11.52	667	10.72
\$150,000 to \$199,999	210	1.93	99	1.59
\$200,000 or MORE	347	3.19	156	2.51

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates

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APPENDIX D

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

**Estimated Debt Service Requirements on Series of 2019 Bonds; and
Estimated Total Annual District Debt Service Requirements**

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*Danville Independent
School District Finance Corporation
School Building Revenue Bonds, Series of 2019*

ESTIMATED DISTRICT DEBT SERVICE REQUIREMENTS ON SERIES 2019 BONDS

Date	District			Fiscal Total
	Principal	Interest	Total P+I	
3/1/2020	-	\$18,507.43	\$18,507.43	\$18,507.43
9/1/2020	\$80,000.00	21,492.50	101,492.50	
3/1/2021	-	20,932.50	20,932.50	122,425.00
9/1/2021	85,000.00	20,932.50	105,932.50	
3/1/2022	-	20,316.25	20,316.25	126,248.75
9/1/2022	85,000.00	20,316.25	105,316.25	
3/1/2023	-	19,678.75	19,678.75	124,995.00
9/1/2023	85,000.00	19,678.75	104,678.75	
3/1/2024	-	19,020.00	19,020.00	123,698.75
9/1/2024	85,000.00	19,020.00	104,020.00	
3/1/2025	-	18,340.00	18,340.00	122,360.00
9/1/2025	90,000.00	18,340.00	108,340.00	
3/1/2026	-	17,597.50	17,597.50	125,937.50
9/1/2026	90,000.00	17,597.50	107,597.50	
3/1/2027	-	16,810.00	16,810.00	124,407.50
9/1/2027	90,000.00	16,810.00	106,810.00	
3/1/2028	-	15,955.00	15,955.00	122,765.00
9/1/2028	95,000.00	15,955.00	110,955.00	
3/1/2029	-	15,005.00	15,005.00	125,960.00
9/1/2029	95,000.00	15,005.00	110,005.00	
3/1/2030	-	14,007.50	14,007.50	124,012.50
9/1/2030	100,000.00	14,007.50	114,007.50	
3/1/2031	-	12,907.50	12,907.50	126,915.00
9/1/2031	100,000.00	12,907.50	112,907.50	
3/1/2032	-	11,757.50	11,757.50	124,665.00
9/1/2032	100,000.00	11,757.50	111,757.50	
3/1/2033	-	10,557.50	10,557.50	122,315.00
9/1/2033	105,000.00	10,557.50	115,557.50	
3/1/2034	-	9,245.00	9,245.00	124,802.50
9/1/2034	105,000.00	9,245.00	114,245.00	
3/1/2035	-	7,906.25	7,906.25	122,151.25
9/1/2035	110,000.00	7,906.25	117,906.25	
3/1/2036	-	6,476.25	6,476.25	124,382.50
9/1/2036	115,000.00	6,476.25	121,476.25	
3/1/2037	-	4,952.50	4,952.50	126,428.75
9/1/2037	115,000.00	4,952.50	119,952.50	
3/1/2038	-	3,400.00	3,400.00	123,352.50
9/1/2038	120,000.00	3,400.00	123,400.00	
3/1/2039	-	1,750.00	1,750.00	125,150.00
9/1/2039	125,000.00	1,750.00	126,750.00	
Total	\$1,975,000.00	\$533,229.93	\$2,508,229.93	\$2,508,229.93

*Danville Independent
School District Finance Corporation
School Building Revenue Bonds, Series of 2019*

ESTIMATED DISTRICT TOTAL DEBT SERVICE REQUIREMENTS

Estimated Series of 2019

Fiscal Year Ending 6/30	Existing Debt Service	Principal	Interest	Total P+I	Total Debt Service
2020	\$1,231,049.42	-	\$18,507.43	\$18,507.43	\$1,249,556.85
2021	1,231,125.24	\$80,000.00	42,425.00	122,425.00	1,353,550.24
2022	1,233,894.98	85,000.00	41,248.75	126,248.75	1,360,143.73
2023	1,233,793.97	85,000.00	39,995.00	124,995.00	1,358,788.97
2024	1,230,062.90	85,000.00	38,698.75	123,698.75	1,353,761.65
2025	1,233,337.14	85,000.00	37,360.00	122,360.00	1,355,697.14
2026	1,233,028.11	90,000.00	35,937.50	125,937.50	1,358,965.61
2027	1,229,078.42	90,000.00	34,407.50	124,407.50	1,353,485.92
2028	1,230,469.61	90,000.00	32,765.00	122,765.00	1,353,234.61
2029	1,232,993.70	95,000.00	30,960.00	125,960.00	1,358,953.70
2030	1,232,973.42	95,000.00	29,012.50	124,012.50	1,356,985.92
2031	1,231,329.89	100,000.00	26,915.00	126,915.00	1,358,244.89
2032	1,230,206.64	100,000.00	24,665.00	124,665.00	1,354,871.64
2033	1,232,049.66	100,000.00	22,315.00	122,315.00	1,354,364.66
2034	1,228,868.76	105,000.00	19,802.50	124,802.50	1,353,671.26
2035	1,230,197.34	105,000.00	17,151.25	122,151.25	1,352,348.59
2036	1,230,782.15	110,000.00	14,382.50	124,382.50	1,355,164.65
2037	1,231,570.92	115,000.00	11,428.75	126,428.75	1,357,999.67
2038	1,228,961.09	115,000.00	8,352.50	123,352.50	1,352,313.59
2039	1,232,245.85	120,000.00	5,150.00	125,150.00	1,357,395.85
2040	-	125,000.00	1,750.00	126,750.00	126,750.00
Total	\$24,628,019.21	\$1,975,000.00	\$533,229.93	\$2,508,229.93	\$27,009,499.14

APPENDIX E

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

Audited Financial Statement as of June 30, 2018

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DANVILLE INDEPENDENT SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2018

DANVILLE INDEPENDENT SCHOOL DISTRICT

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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, 2018, 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.

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, 2018, 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, 2018, the District adopted Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement 85, *Omnibus 2017*, and Statement 86, *Certain Debt Extinguishment Issues*. 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 54 – 65 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 13, 2018, 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 13, 2018

**DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018 (FY18) was \$6.43 million, including a construction fund cash balance of \$1.51 million.
- The District's property tax base is derived from residential growth and assessments. The District levied FY18 property tax rates of 94.5 cents per \$100 for real estate and tangible property. This rate reflects an increase of 1.0 cents decrease from the the FY17 rate of 95.5 cents. The motor vehicle rate of 66.9 cents per \$100 of assessed value and the 3% utility tax rate remained unchanged from FY17.
- The District ended FY18 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 FY18.
- The District's major construction project for FY18 included the following project: Tolliver Elementary School Renovations; Bate Middle School and Danville High School Roofing Projects, and Mary G. Hogsett Elementary Renovations.
- Employees received a 1.0% pay increase in addition to normal step and rank increases.
- During FY18, the District adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This required a restatement and reduction to beginning net position of \$7.05 million. At the end of FY18, the District reported a net post employment benefit obligation (OPEB) of \$6.24 million related to the Teacher's Retirement System OPEB and \$2.30 million related to the County Employees Retirement System.

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$ million as of June 30, 2018.

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018

Net Position

The 2018 Government-wide net position compared to 2017 is as follows:

Net Position
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	(Restated) 2017	2018	(Restated) 2017	2018	(Restated) 2017
Current and other assets	\$ 6,713,984	\$ 11,729,693	\$ 272,567	\$ 183,794	\$ 6,986,551	\$ 11,913,487
Capital assets	26,949,407	22,197,887	22,106	33,983	26,971,513	22,231,870
Total assets	33,663,391	33,927,580	294,673	217,777	33,958,064	34,145,357
Deferred outflows of resources	2,819,134	1,702,995	477,539	226,608	3,296,673	1,929,603
Long-term debt	32,849,682	33,163,385	1,510,678	1,185,666	34,360,360	34,349,051
Other liabilities	2,764,147	2,989,939	1,833	-	2,765,980	2,989,939
Total liabilities	35,613,829	36,153,324	1,512,511	1,185,666	37,126,340	37,338,990
Deferred inflows of resources	847,558	89,469	162,560	16,161	1,010,118	105,630
Net position:						
Net investment in capital assets	8,357,950	7,282,000	22,106	33,983	8,380,056	7,315,983
Restricted	1,189,712	435,172	-	-	1,189,712	435,172
Unrestricted	(9,526,524)	(8,329,390)	(924,965)	(791,425)	(10,451,489)	(9,120,815)
Total net position	\$ 21,138	\$ (612,218)	\$ (902,859)	\$ (757,442)	\$ (881,721)	\$ (1,369,660)

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

- Capital assets increased approximately \$4.75 million due to current year depreciation of \$1.72 million offset by FY2018 additions of approximately \$5.78 million primarily as a result of construction costs related to the completion of Toliver Elementary Renovations and roofing projects at Hogsett Elementary, Danville High School, and Bate Middle School.
- Total long-term obligations for bonds decreased approximately \$1.62 million as a result of regularly scheduled principal payments. The District's proportionate share of CERS reported net pension liability increased approximately \$733 thousand during fiscal year 2018. As of June 30, 2018, the District's proportionate share of the CERS net pension liability was \$6.68 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability increased approximately \$495 thousand during fiscal year 2018. As of June 30, 2018, the District's proportionate share of the CERS net OPEB liability was \$2.30 million (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability increased approximately \$62 thousand during fiscal year 2018. As of June 30, 2018, the District's proportionate share of the TRS net OPEB liability was \$6.24 million (as actuarially determined by TRS).

**DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

Change in Net Position

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2018 and 2017.

**Changes in Net Position
(Table 2)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues						
Charges for services	\$ 69,795	\$ 917	\$ 122,589	\$ 72,670	\$ 192,384	\$ 73,587
Operating grants and contributions	11,906,661	13,775,110	1,550,496	1,324,876	13,457,157	15,099,986
Capital grants and contributions	1,094,232	1,105,256	-	-	1,094,232	1,105,256
General Revenues						
Property taxes	8,235,240	8,086,552	-	-	8,235,240	8,086,552
Motor vehicle taxes	479,252	493,661	-	-	479,252	493,661
Utility taxes	1,102,072	1,072,301	-	-	1,102,072	1,072,301
Investment earnings	57,628	105,515	669	576	-	106,091
State aid formula grants	6,759,473	6,605,998	-	-	6,759,473	6,605,998
Gain (loss) on sale of equipment	23,464	5,228	-	-	23,464	5,228
Miscellaneous	537,008	9,187	-	-	537,008	9,187
Total revenues	30,264,825	31,259,725	1,673,754	1,398,122	31,880,282	32,657,847
EXPENSES						
Program Activities						
Instruction	19,355,312	20,420,014	-	-	19,355,312	20,420,014
Student support	1,051,491	982,217	-	-	1,051,491	982,217
Instruction staff support	2,075,687	1,646,216	-	-	2,075,687	1,646,216
District administration support	593,405	1,129,463	-	-	593,405	1,129,463
School administrative support	1,475,514	1,282,135	-	-	1,475,514	1,282,135
Business support	576,876	549,809	-	-	576,876	549,809
Plant operation and maintenance	2,641,335	2,317,268	-	-	2,641,335	2,317,268
Student transportation	1,039,423	813,875	-	-	1,039,423	813,875
Community service activities	233,271	203,788	-	-	233,271	203,788
Facilities acquisition and construct	-	23,095	-	-	-	23,095
Interest on long-term debt	585,532	614,665	-	-	585,532	614,665
Food service	-	-	1,735,377	1,419,701	1,735,377	1,419,701
Child care	-	-	87,417	-	87,417	-
Total expenses	29,627,846	29,982,545	1,822,794	1,419,701	31,450,640	31,402,246
Transfers	(3,623)	-	3,623	-	-	-
CHANGE IN NET POSITION	\$ 633,356	\$ 1,277,180	\$ (145,417)	\$ (21,579)	\$ 429,642	\$ 1,255,601

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

- Total revenues decreased approximately \$1.33 million primarily due to decreases in on-behalf revenues of \$1.33 million related to the decrease in the TRS net pension liability and decreases in state aid formula grants of \$907 thousand offset by additional increases in property tax revenues, motor vehicle tax revenues, distilled spirits tax, and utility tax revenues of approximately \$1.44 million.
- Total expenses increased approximately \$180 thousand as a result of increases in Plant Operations and Maintenance (\$1.1 million increase); increases in student transportation (\$288 thousand increase); increases in Student staff support (\$195 thousand increase); increases in Instruction staff support (\$136 thousand increase); increases in district administrative support (\$252 thousand increase); increases in school administrative support (\$161 thousand increase); and increases in Food Service and Child Care of approximately \$222 thousand. The increases were offset by decreases in on-behalf revenues (recorded under Instruction) totaling \$1.33 million.

DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018

Capital Assets

At the end of fiscal year 2018, the School District had approximately \$16.9 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2018 and 2017 balances.

Capital Assets, Net of Depreciation
(Table 3)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 366,778	\$ 366,778	\$ -	\$ -	\$ 366,778	\$ 366,778
Land improvements	340,317	363,552	-	-	340,317	363,552
Buildings and improvements	9,173,102	8,496,872	-	-	9,173,102	8,496,872
Technology Equipment	12,335	16,572	-	-	12,335	16,572
Vehicles	864,101	847,110	-	-	864,101	847,110
General equipment	149,552	128,004	22,106	33,983	171,658	161,987
Total	10,906,185	10,218,888	22,106	33,983	10,928,291	10,252,871
Construction in process	16,043,222	11,978,999	-	-	16,043,222	11,978,999
Total	\$ 26,949,407	\$ 22,197,887	\$ 22,106	\$ 33,983	\$ 26,971,513	\$ 22,231,870

The following was the major capital asset placed in service during fiscal year 2018:

Roof projects (Hogsett Elementary, Bate Middle, and Danville High)	\$ 1,325,486
Danville High Bleachers	118,558
Bus	155,314

An additional \$4,538,957 capital expenditures were included in construction in process at June 30, 2018 for renovations and additions at Toliver Elementary. Construction in process for the Toliver Elementary project at June 30, 2018 totals \$15,634,248.

Debt

At June 30, 2018, the School District had \$18,983,990 in bonds outstanding. Of this amount, \$6,406,128 is to be paid by the Kentucky School Facility Construction Commission. A total of \$1,160,000 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 \$22.6 million compare with actual expenditures of approximately \$20.8 million. The most significant fluctuation is in the other category for \$2.3 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 \$1.95 million; (2) plant operation and maintenance expenditures were under by \$126 thousand; and (3) District administrative was under budget by \$118 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 – 53 of this report.

DANVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018

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 2017-2018 with a contingency that exceeded the 2% minimum. The District has adopted a budget for 2018-2019 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 Paul Dean Finance Officer, 152 East Martin Luther King Blvd., Danville, Kentucky 40422.

DANVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business- Type Activities	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 6,233,333	\$ 197,598	\$ 6,430,931
Inventory	-	33,902	33,902
Receivables:			
Taxes-current	36,132	-	36,132
Other receivables	130,352	-	130,352
Intergovernmental-Indirect Federal	279,456	41,067	320,523
Intergovernmental-direct Federal	34,711	-	34,711
Prepaid expenses	-	-	-
Total Current Assets	6,713,984	272,567	6,986,551
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	16,410,000	-	16,410,000
Depreciable capital assets, net of accumulated depreciation	10,539,407	22,106	10,561,513
Total Noncurrent Assets	26,949,407	22,106	26,971,513
Total Assets	\$ 33,663,391	\$ 294,673	\$ 33,958,064
Deferred Outflows of Resources			
Deferred amount on debt refundings	\$ 131,167	\$ -	\$ 131,167
CERS - Pension	1,835,345	371,304	2,206,649
CERS - OPEB	525,118	106,235	631,353
TRS - OPEB	327,504	-	327,504
Total Deferred Outflows of Resources	\$ 2,819,134	\$ 477,539	\$ 3,296,673
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	\$ 766,215	\$ 1,833	\$ 768,048
Accrued liabilities	32,693	-	32,693
Advances from grantors	398,799	-	398,799
Bond obligations	1,160,000	-	1,160,000
Capital lease obligations	47,388	-	47,388
Compensated absences	153,767	-	153,767
Interest payable	205,285	-	205,285
Total Current Liabilities	2,764,147	1,833	2,765,980
<u>Noncurrent Liabilities</u>			
Bond obligations	17,562,624	-	17,562,624
Capital lease obligations	78,023	-	78,023
Compensated absences	1,497,640	-	1,497,640
Net pension liability - CERS	5,558,248	1,124,474	6,682,722
Net OPEB liability - CERS	1,909,003	386,204	2,295,207
Net OPEB liability - TRS	6,244,144	-	6,244,144
Total Noncurrent Liabilities	32,849,682	1,510,678	34,360,360
Total Liabilities	\$ 35,613,829	\$ 1,512,511	\$ 37,126,340
Deferred Inflows of Resources			
CERS - Pension	\$ 703,578	\$ 142,339	\$ 845,917
CERS - OPEB	99,950	20,221	120,171
TRS - OPEB	44,030	-	44,030
Total Deferred Inflows of Resources	\$ 847,558	\$ 162,560	\$ 1,010,118
Net Position			
Net investment in capital assets	\$ 8,357,950	\$ 22,106	\$ 8,380,056
Restricted	1,189,712	-	1,189,712
Unrestricted	(9,526,524)	(924,965)	(10,451,489)
Total Net Position	\$ 21,138	\$ (902,859)	\$ (881,721)

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, 2018

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		Total
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction	\$ 19,355,312	\$ 49,454	\$ 10,100,674	\$ -	\$ (9,205,184)	\$ -	\$ (9,205,184)
Support services:							
Student	1,051,491	-	279,985	-	(771,506)	-	(771,506)
Instruction staff	2,075,687	-	378,590	-	(1,697,097)	-	(1,697,097)
District administrative	593,405	-	122,811	-	(470,594)	-	(470,594)
School administrative	1,475,514	-	427,174	-	(1,048,340)	-	(1,048,340)
Business	576,876	-	127,937	-	(448,939)	-	(448,939)
Plant operation and maintenance	2,641,335	-	306,937	-	(2,334,398)	-	(2,334,398)
Student transportation	1,039,423	7,364	162,553	-	(869,506)	-	(869,506)
Community service activities	233,271	-	-	-	(233,271)	-	(233,271)
Other	-	12,977	-	-	12,977	-	12,977
Facilities acquisition and construction	-	-	-	412,919	412,919	-	412,919
Interest on long-term debt	585,532	-	-	681,313	95,781	-	95,781
Total Governmental Activities	<u>29,627,846</u>	<u>69,795</u>	<u>11,906,661</u>	<u>1,094,232</u>	<u>(16,557,158)</u>	<u>-</u>	<u>(16,557,158)</u>
Business-Type Activities:							
Food service	1,735,377	77,782	1,550,496	-	-	(107,099)	(107,099)
Childcare	87,417	44,807	-	-	-	(42,610)	(42,610)
Total Business-Type Activities	<u>1,822,794</u>	<u>122,589</u>	<u>1,550,496</u>	<u>-</u>	<u>-</u>	<u>(149,709)</u>	<u>(149,709)</u>
Total Primary Government	<u>\$ 31,450,640</u>	<u>\$ 192,384</u>	<u>\$ 13,457,157</u>	<u>\$ 1,094,232</u>	<u>(16,557,158)</u>	<u>(149,709)</u>	<u>(16,706,867)</u>
General Revenues:							
Taxes:							
Property taxes					8,235,240	-	8,235,240
Motor vehicle taxes					479,252	-	479,252
Utility taxes					1,102,072	-	1,102,072
Investment earnings					57,628	669	58,297
Gain on disposal of capital assets					23,464	-	23,464
State and formula grants					6,759,473	-	6,759,473
Miscellaneous					537,008	-	537,008
Total general revenues					<u>17,194,137</u>	<u>669</u>	<u>17,194,806</u>
Transfers					<u>(3,623)</u>	<u>3,623</u>	<u>-</u>
Change in net position					<u>633,356</u>	<u>(145,417)</u>	<u>487,939</u>
Net position - beginning					6,693,569	(502,554)	6,191,015
Prior period adjustments (see Note)					<u>(7,305,787)</u>	<u>(254,888)</u>	<u>(7,560,675)</u>
Net position - beginning, as restated					<u>(612,218)</u>	<u>(757,442)</u>	<u>(1,369,660)</u>
Net position - ending					<u>\$ 21,138</u>	<u>\$ (902,859)</u>	<u>\$ (881,721)</u>

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,359,733	\$ 52,814	1,506,867	\$ 313,919	\$ 6,233,333
Receivables:					
Taxes - current	36,132	-	-	-	36,132
Other receivables	3,028	127,324	-	-	130,352
Intergovernmental - Indirect Federal	-	279,456	-	-	279,456
Intergovernmental - Direct Federal	-	34,711	-	-	34,711
Total Assets	\$ 4,398,893	\$ 494,305	\$ 1,506,867	\$ 313,919	\$ 6,713,984
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 57,586	\$ -	\$ 708,629	\$ -	\$ 766,215
Accrued liabilities	32,693	-	-	-	32,693
Advances from grantors	-	398,799	-	-	398,799
Total Liabilities	90,279	398,799	708,629	-	1,197,707
Fund Balances					
Restricted	200,000	95,506	580,287	313,919	1,189,712
Assigned	465,435	-	-	-	465,435
Unassigned	3,643,179	-	217,951	-	3,861,130
Total Fund Balances	4,308,614	95,506	798,238	313,919	5,516,277
Total Liabilities and Fund Balances	\$ 4,398,893	\$ 494,305	\$ 1,506,867	\$ 313,919	\$ 6,713,984

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, 2018

Total fund balance per fund financial statements	\$ 5,516,277
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.	26,949,407
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.	131,167
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.	2,687,967
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.	(847,558)
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)	(18,722,624)
Capital leases payable	(125,411)
Interest payable	(205,285)
Compensated absences	(1,651,407)
Net pension liability - CERS	(5,558,248)
Net OPEB liability - CERS	(1,909,003)
Net OPEB liability - TRS	<u>(6,244,144)</u>
Net position for governmental activities	<u>\$ 21,138</u>

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, 2018

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 7,258,114	\$ -	\$ -	\$ 935,346	\$ 8,193,460
Motor vehicle	479,252	-	-	-	479,252
Utilities	1,102,072	-	-	-	1,102,072
Earnings on investments	40,341	352	15,895	1,040	57,628
Other local revenues	38,491	519,711	-	87,996	646,198
Intergovernmental - State	12,438,982	1,244,022	-	1,094,232	14,777,236
Intergovernmental - Indirect Federal	-	1,569,904	-	-	1,569,904
Intergovernmental - Direct Federal	-	122,151	-	-	122,151
Total Revenues	<u>21,357,252</u>	<u>3,456,140</u>	<u>15,895</u>	<u>2,118,614</u>	<u>26,947,901</u>
Expenditures:					
Instruction	12,618,101	2,573,282	-	158,890	15,350,273
Support services:					
Student	910,663	129,871	-	454	1,040,988
Instruction staff	1,496,984	493,530	-	14,627	2,005,141
District administrative	577,133	-	-	-	577,133
School administrative	1,416,989	-	-	-	1,416,989
Business	557,404	-	-	-	557,404
Plant operation and maintenance	2,292,410	28,800	-	-	2,321,210
Student transportation	929,753	46,451	-	17,759	993,963
Facilities acquisition and construction	-	-	5,508,265	-	5,508,265
Community service activities	16,156	203,984	-	-	220,140
Debt service:					
Principal	-	-	-	1,155,000	1,155,000
Interest	-	-	-	592,507	592,507
Total Expenditures	<u>20,815,593</u>	<u>3,475,918</u>	<u>5,508,265</u>	<u>1,939,237</u>	<u>31,739,013</u>
Excess (Deficit) of Revenues over Expenditures	<u>541,659</u>	<u>(19,778)</u>	<u>(5,492,370)</u>	<u>179,377</u>	<u>(4,791,112)</u>
Other Financing Sources (Uses):					
Proceeds from disposal of capital assets	23,245	219	-	-	23,464
Transfers in	-	35,078	1,335,344	1,181,494	2,551,916
Transfers out	(1,353,402)	-	-	(1,202,137)	(2,555,539)
Total Other Financing Sources (Uses)	<u>(1,330,157)</u>	<u>35,297</u>	<u>1,335,344</u>	<u>(20,643)</u>	<u>19,841</u>
Net Change in Fund Balances	<u>(788,498)</u>	<u>15,519</u>	<u>(4,157,026)</u>	<u>158,734</u>	<u>(4,771,271)</u>
Fund Balance, July 1, 2017	<u>5,097,112</u>	<u>79,987</u>	<u>4,955,264</u>	<u>155,185</u>	<u>10,287,548</u>
Fund Balance, June 30, 2018	<u>\$ 4,308,614</u>	<u>\$ 95,506</u>	<u>\$ 798,238</u>	<u>\$ 313,919</u>	<u>\$ 5,516,277</u>

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, 2018

Net change in total fund balances per fund financial statements		\$ (4,771,271)
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 capital outlays exceed depreciation expense for the year.		
Capital expenditures	\$ 5,783,341	
Depreciation	<u>(1,031,822)</u>	4,751,519
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	1,155,000	
Principal payments on capital leases	<u>46,597</u>	1,201,597
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	68,395	
Changes in interest payable, discounts, and deferred amounts on refunding	(39,622)	
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	<u>(577,262)</u>	<u>(548,489)</u>
Change in net position of governmental activities		<u>\$ 633,356</u>

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, 2018

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 180,944	\$ 16,654	\$ 197,598
Intergovernmental - Indirect Federal	41,067	-	41,067
Inventory	33,902	-	33,902
Total Current Assets	255,913	16,654	272,567
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	22,106	-	22,106
Total Noncurrent Assets	22,106	-	22,106
Total Assets	\$ 278,019	\$ 16,654	\$ 294,673
Deferred Outflows of Resources			
CERS - Pension	\$ 354,025	\$ 17,279	\$ 371,304
CERS - OPEB	101,291	4,944	106,235
Total Deferred Outflows of Resources	\$ 455,316	\$ 22,223	\$ 477,539
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	\$ 1,833	\$ -	\$ 1,833
Total Current Liabilities	1,833	-	1,833
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	1,072,147	52,327	1,124,474
Net OPEB liability - CERS	368,232	17,972	386,204
Total Noncurrent Liabilities	1,440,379	70,299	1,510,678
Total Liabilities	\$ 1,442,212	\$ 70,299	\$ 1,512,511
Deferred Inflows of Resources			
CERS - Pension	\$ 135,715	\$ 6,624	\$ 142,339
CERS - OPEB	19,280	941	20,221
Total Deferred Inflows of Resources	\$ 154,995	\$ 7,565	\$ 162,560
<u>Net Position</u>			
Net investment in capital assets	\$ 22,106	\$ -	\$ 22,106
Unrestricted	(885,978)	(38,987)	(924,965)
Total Net Position	\$ (863,872)	\$ (38,987)	\$ (902,859)

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, 2018

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Operating Revenues			
Lunchroom sales	\$ 74,782	\$ -	\$ 74,782
Other revenue	3,000	-	3,000
Tuition and fees	-	44,807	44,807
Total Operating Revenues	<u>77,782</u>	<u>44,807</u>	<u>122,589</u>
Operating Expenses			
Salaries, wages and benefits	983,726	84,394	1,068,120
Materials and supplies	739,569	3,023	742,592
Depreciation	11,842	-	11,842
Other operating expenses	240	-	240
Total Operating Expenses	<u>1,735,377</u>	<u>87,417</u>	<u>1,822,794</u>
Operating loss	<u>(1,657,595)</u>	<u>(42,610)</u>	<u>(1,700,205)</u>
Non-Operating Revenues (Expenses)			
Federal grants	1,228,213	-	1,228,213
Donated commodities	84,040	-	84,040
Interest income	669	-	669
Loss on disposal of equipment	(35)	-	(35)
State grants	11,647	-	11,647
State on-behalf payments	226,631	-	226,631
Total Non-Operating Revenues (Expenses)	<u>1,551,165</u>	<u>-</u>	<u>1,551,165</u>
Transfers in	<u>-</u>	<u>3,623</u>	<u>3,623</u>
Changes in net position	<u>(106,430)</u>	<u>(38,987)</u>	<u>(145,417)</u>
Net Position, July 1, 2017	(502,554)	-	(502,554)
Restatement for adoption of GASB 75	<u>(254,888)</u>	<u>-</u>	<u>(254,888)</u>
Net Position, July 1, 2017, as restated	<u>(757,442)</u>	<u>-</u>	<u>(757,442)</u>
Net Position, June 30, 2018	<u>\$ (863,872)</u>	<u>\$ (38,987)</u>	<u>\$ (902,859)</u>

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, 2018

	Food Service Fund	Nonmajor Enterprise Fund - Childcare Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 74,782	\$ -	\$ 74,782
Other revenue	3,000	-	3,000
Tuition and fees	-	44,807	44,807
Cash paid to/for:			
Employees	(592,256)	(28,753)	(621,009)
Supplies	(649,873)	(3,023)	(652,896)
Net Cash Provided (Used) by Operating Activities	<u>(1,164,587)</u>	<u>13,031</u>	<u>(1,151,556)</u>
Cash flows from Non-Capital Financing Activities			
Federal grants	1,240,027	-	1,240,027
State grants	11,647	-	11,647
Transfers from other funds	-	3,623	3,623
Net Cash Provided by Non-Capital Financing Activities	<u>1,251,674</u>	<u>3,623</u>	<u>1,255,297</u>
Cash Flows from Investing Activities			
Receipt of interest income	669	-	669
Net Cash Provided by Investing Activities	<u>669</u>	<u>-</u>	<u>669</u>
Net change in cash and cash equivalents	87,756	16,654	104,410
Balances, beginning of year	<u>93,188</u>	<u>-</u>	<u>93,188</u>
Balances, end of year	<u>\$ 180,944</u>	<u>\$ 16,654</u>	<u>\$ 197,598</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,657,595)	\$ (42,610)	\$ (1,700,205)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	11,842	-	11,842
Donated commodities	84,040	-	84,040
State on-behalf payments	226,631	-	226,631
CERS pension and OPEB expense	164,839	55,641	220,480
Change in assets and liabilities:			
Inventory	3,823	-	3,823
Accounts payable	1,833	-	1,833
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,164,587)</u>	<u>\$ 13,031</u>	<u>\$ (1,151,556)</u>
Schedule of Non-cash Transactions			
Donated commodities received from federal government	\$ 84,040	\$ -	\$ 84,040
State on-behalf payments	\$ 226,631	\$ -	\$ 226,631
CERS Pension and OPEB	\$ 164,839	\$ 55,641	\$ 220,480

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, 2018

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 132,081
Receivables	<u>-</u>
Total Assets	<u>\$ 132,081</u>
Liabilities	
Accounts payable	\$ 1,784
Due to student groups	<u>130,297</u>
Total Liabilities	<u>\$ 132,081</u>

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 page 72. This is a major fund of the District.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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

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

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The property tax rates assessed for the year ended June 30, 2018, to finance the General Fund operations were \$0.945 per \$100 valuation for real property, \$0.945 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and required a restatement of the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

Recently Issued Accounting Principles

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for periods beginning after December 15, 2018. The statement was adopted during the fiscal year and did not have an effect 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 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. 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.

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, \$7,216,032 of the District’s bank balance of \$7,466,032 was exposed to custodial credit risk. The \$7,216,032 of the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution at June 30, 2018.

NOTE 4 – TRANSFER OF FUNDS

The following transfers were made during the year ending June 30, 2018:

Fund Financial Statements:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 35,078
General	Non-major fund	Student Accounts	115,300
General	Non-major fund	Debt Service	302,879
General	Construction fund	Construction	900,144
Non-major fund	Construction fund	Construction	100,000
Non-major fund	Non-major fund	Debt service	763,314
Non-major fund	Construction fund	Construction	335,200
Non-major fund	Non-major fund	Childcare	3,623

Government-wide financial statements:

From Fund	To Fund	Purpose	Amount
Non-major governmental fund	Non-major enterprise fund	Childcare	\$ 3,623

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 366,778	\$ -	\$ -	\$ 366,778
Construction in progress	11,978,999	5,508,267	(1,444,044)	16,043,222
Total Capital Assets Not Being Depreciated	<u>12,345,777</u>	<u>5,508,267</u>	<u>(1,444,044)</u>	<u>16,410,000</u>
Capital Assets Being Depreciated:				
Land improvements	704,422	-	-	704,422
Buildings and improvements	25,147,723	1,503,263	-	26,650,986
Technology equipment	1,271,411	10,835	-	1,282,246
Vehicles	1,940,315	155,314	-	2,095,629
General equipment	1,628,130	49,706	-	1,677,836
Total Capital Assets Being Depreciated at Historical Cost	<u>30,692,001</u>	<u>1,719,118</u>	<u>-</u>	<u>32,411,119</u>
Accumulated depreciation:				
Land improvements	340,870	23,235	-	364,105
Buildings and improvements	16,650,851	827,033	-	17,477,884
Technology equipment	1,254,839	15,072	-	1,269,911
Vehicles	1,093,205	138,323	-	1,231,528
General equipment	1,500,126	28,158	-	1,528,284
Total accumulated depreciation	<u>20,839,891</u>	<u>1,031,821</u>	<u>-</u>	<u>21,871,712</u>
Total Other Capital Assets, net	<u>9,852,110</u>	<u>687,297</u>	<u>-</u>	<u>10,539,407</u>
Governmental Activities Capital Assets - Net	<u>\$ 22,197,887</u>	<u>\$ 6,195,564</u>	<u>\$ (1,444,044)</u>	<u>\$ 26,949,407</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 617,472
Student support	1,366
Plant	279,915
Transportation	133,068
	<u>\$ 1,031,821</u>

Business-Type Activities	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Being Depreciated:				
Technology equipment	\$ 10,527	\$ -	\$ -	\$ 10,527
General equipment	380,381	-	(1,656)	378,725
Totals at historical cost	<u>390,908</u>	<u>-</u>	<u>(1,656)</u>	<u>389,252</u>
Accumulated depreciation:				
Technology equipment	10,527	-	-	10,527
General equipment	346,398	11,842	(1,621)	356,619
Total accumulated depreciation	<u>356,925</u>	<u>11,842</u>	<u>(1,621)</u>	<u>367,146</u>
Business-type Activities Capital Assets - Net	<u>\$ 33,983</u>	<u>\$ (11,842)</u>	<u>\$ (35)</u>	<u>\$ 22,106</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS

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

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>
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 2014	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%

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.

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, 2018 for debt service (principal and interest) are as follows:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>SFCC Participation</u>	<u>District's Portion</u>
2019	\$ 1,160,000	\$ 509,553	\$ 646,498	\$ 1,023,055
2020	1,050,000	480,668	504,319	1,026,349
2021	1,080,000	459,830	501,188	1,038,642
2022	1,110,000	437,881	503,478	1,044,403
2023	1,135,000	415,299	504,389	1,045,910
2024- 2028	5,335,000	1,674,531	2,351,617	4,657,914
2029 - 2033	4,933,990	970,952	2,099,895	3,805,047
2034 - 2036	3,180,000	199,068	1,096,086	2,282,982
	<u>\$ 18,983,990</u>	<u>\$ 5,147,782</u>	<u>\$ 8,207,470</u>	<u>\$ 15,924,302</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-term Obligations

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 20,138,990	\$ -	\$ 1,155,000	\$ 18,983,990	\$ 1,160,000
Capital leases	172,008	-	46,597	125,411	47,388
Less Premium (Discount)	<u>(278,751)</u>	<u>-</u>	<u>17,385</u>	<u>(261,366)</u>	<u>-</u>
Total Bonds Payable	<u>20,032,247</u>	<u>-</u>	<u>1,218,982</u>	<u>18,848,035</u>	<u>1,207,388</u>
Other Liabilities:					
Compensated absences	<u>1,719,800</u>	<u>-</u>	<u>68,393</u>	<u>1,651,407</u>	<u>153,767</u>
Total Other Liabilities	<u>1,719,800</u>	<u>-</u>	<u>68,393</u>	<u>1,651,407</u>	<u>153,767</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 21,752,047</u>	<u>\$ -</u>	<u>\$ 1,287,375</u>	<u>\$ 20,499,442</u>	<u>\$ 1,361,155</u>

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	
2019	\$ 51,181
2020	31,673
2021	32,228
2022	9,076
2023	<u>9,076</u>
	133,234
Less: amount representing interest	<u>(7,823)</u>
Present value of minimum lease payments	<u>\$ 125,411</u>
Current maturities	\$ 47,388
Non-current maturities	<u>78,023</u>
	<u>\$ 125,411</u>

The cost of the buses under capital lease at June 30, 2018 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – 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 7 – 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – 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, 2018, 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, 2018. 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, 2018, 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 \$89,734,893.

The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$6,387,748 and revenue of \$6,387,748 (\$3,188,223 in the governmental funds and an additional \$3,199,525 in government-wide activities) for support provided by the State. At June 30, 2018, 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, 2017 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, 2016 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	42%	4.4%
International Equity	20%	5.3%
Fixed Income	16%	1.2%
Other	9%	3.6%
Real Estate	5%	4.4%
Alternatives	6%	6.7%
Cash	2%	0.8%
	<u>100%</u>	

Discount Rate

Discount rate. The discount rate used to measure the total pension liability was 4.49 percent. 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 that Employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56 percent was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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 4.49 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 (3.49 percent) or 1-percentage-point higher (5.49 percent) than the current rate:

	1 % Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49)
System's net pension liability (in thousands)	\$ 35,029,551	\$ 28,259,123	\$ 22,702,413

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – 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 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.

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, 2018, 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, 2018, was 14.48 percent of annual creditable compensation. Contributions to the pension plan from the District were \$406,459.

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

At June 30, 2018, the District reported a liability of \$6,682,722 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.114170 percent. which was a increase of .00667 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$613,720. At June 30, 2018, 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:

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – PENSION PLANS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,289	\$ 169,636
Changes in actuarial assumptions	1,233,143	-
Difference between projected and actual investment earnings	529,263	446,606
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,495	229,675
Contributions paid to CERS subsequent to the measurement date	<u>406,459</u>	<u>-</u>
	<u>\$ 2,206,649</u>	<u>\$ 845,917</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$406,459 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	\$ 418,433
2020	436,269
2021	185,380
2022	<u>(85,809)</u>
	<u>\$ 954,273</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 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.

The actuarial assumptions used in the June 30, 2017 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – PENSION PLANS – CONTINUED

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	18%	5.97%
International Equity	18%	7.85%
Global Bonds	4%	2.63%
Global Credit	2%	3.63%
High Yield	7%	5.75%
Emerging Market Debt	5%	5.50%
Private Credit	10%	8.75%
Real Estate	5%	7.63%
Absolute Return	10%	5.63%
Real Return	10%	6.13%
Private Equity	10%	8.25%
Cash	2%	1.88%
	<u>100%</u>	

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 26 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:

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 – PENSION PLANS – CONTINUED

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 8,428,356	\$ 6,682,722	\$ 5,222,511

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 8 – 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:

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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.

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, 2018, the District reported a liability of \$6,244,144 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, 2017, 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, 2017, the District's proportion was 0.175113 percent.

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	\$ 6,244,144
State proportionate share of the net OPEB liability associated with the District	5,101,000
	<u>\$ 11,345,144</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$363,989 (\$248,071 in the governmental funds and an additional \$115,918 in government-wide activities) and revenues of \$342,000 (\$248,071 in the governmental funds and an additional \$93,929 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ -	\$ 44,030
Contributions paid to TRS subsequent to the measurement date	<u>327,504</u>	<u>-</u>
	<u>\$ 327,504</u>	<u>\$ 44,030</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$327,504 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, 2019. 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:

<u>Year Ending June 30</u>	<u>Pension Expense Amount</u>
2019	\$ (11,007)
2020	(11,007)
2021	(11,007)
2022	<u>(11,009)</u>
	<u>\$ (44,030)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 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 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

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

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 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	30 Year
	Allocation	Expected Geometric Real Rate of Return
Global Equity	60%	5.1%
Fixed Income	9%	1.2%
Real Estate	5%	4.0%
Private Equity	5%	6.6%
High Yield	10%	4.3%
Other	10%	3.3%
Cash	1%	0.5%
	100%	

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:

District's proportionate share of the net OPEB liability	1 % Decrease	Current	1% Increase
	(7.0%)	Discount Rate (8.0%)	(9.0)
	\$ 7,271,074	\$ 6,244,144	\$ 5,388,774

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – 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	\$ 5,229,163	\$ 6,244,144	\$ 7,496,730

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, 2018, 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 \$68,000.

For the year ended June 30, 2018, the District recognized OPEB expense of \$10,000 and revenue of \$10,000 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2017 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, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Large Cap Equity	38%	4.30%
U.S. Small Cap Equity	3%	4.80%
Developed Int'l Equity	16%	5.20%
Emerging Market Equity	4%	5.40%
Fixed Income - Inv Grade	16%	1.20%
Real Estate	6%	4.00%
Private Equity	7%	6.60%
High Yield	2%	4.30%
Other	7%	3.30%
Cash	1%	0.50%
	<u>100%</u>	

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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.

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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
System's net OPEB liability (in thousands)	\$ 36,497,000	\$ 21,959,000	\$ 10,055,000

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

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Contributions – For the fiscal year ended June 30, 2018, 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, 2018, was 4.70 percent of annual creditable compensation. Contributions to the pension plan from the District were \$131,931.

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

At June 30, 2018, the District reported a liability of \$2,295,207 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.153471 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$118,009. At June 30, 2018, 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	\$ -	\$ 6,375
Changes in actuarial assumptions	499,422	-
Difference between projected and actual investment earnings	-	108,470
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,326
Contributions paid to CERS subsequent to the measurement date	131,931	-
	<u>\$ 631,353</u>	<u>\$ 120,171</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$131,931 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, 2019. 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:

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Year Ending June 30	Pension Expense Amount
2019	\$ 65,254
2020	65,254
2021	65,254
2022	65,254
2023	92,371
Thereafter	25,864
	<u>\$ 379,251</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 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 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	3.56%
Discount Rate	5.83%

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, 2015 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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	18%	5.97%
International Equity	18%	7.85%
Global Bonds	4%	2.63%
Global Credit	2%	3.63%
High Yield	7%	5.75%
Emerging Market Debt	5%	5.50%
Private Credit	10%	8.75%
Real Estate	5%	7.63%
Absolute Return	10%	5.63%
Real Return	10%	6.13%
Private Equity	10%	8.25%
Cash	2%	1.88%
	<u>100%</u>	

The projection of cash flows used to determine the discount rate of 5.84% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 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 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. 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.

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 5.83%, 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 (4.83%) or 1-percentage-point higher (6.83%) than the current rate:

	<u>1% Decrease -4.83%</u>	<u>Current Discount Rate -5.83%</u>	<u>1% Increase -6.83%</u>
District's proportionate share of the net OPEB liability	\$ 2,295,208	\$ 2,295,207	\$ 1,774,846

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.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,760,542	\$ 2,295,207	\$ 2,990,241

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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 9 – FUND BALANCES

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, 2018, the District had \$200,000 restricted for sick leave in the General Fund, \$580,287 restricted for capital projects in the Construction Fund, \$95,506 restricted for grants in the Special Revenue Fund, \$164,168 restricted for school activities in the District Activity Funds, and \$149,751 restricted for capital projects in the Capital Outlay Fund and 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, 2018.

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, 2018. 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 amount assigned in the general fund was \$66,061 for open purchase orders encumbered at June 30, 2018 and \$399,374 assigned for maintenance.

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.

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 14 – DEFICIT OPERATING BALANCES

The Food Service Fund and Child Care Fund had a deficit net position at June 30, 2018 in the amounts of \$863,872 and \$38,987, 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	\$ 788,498
Construction Fund	4,157,026
Food Service Fund	106,430
Child Care Fund	38,987

NOTE 15 – 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, 2018 were as follows:

Health	\$ 2,328,255
Life	3,809
Admin	31,464
HRA	140,088
TRS - Pension	3,188,223
TRS - OPEB	248,071
Technology	681,313
Debt Service	63,163
Less: Federal Reimbursement	<u>(146,077)</u>
Total on-behalf	<u>\$ 6,538,309</u>

Recorded as follows:

General Fund	\$ 5,630,365
Food Service Fund	226,631
Daycare Fund	-
Debt Service Fund	<u>681,313</u>
	<u>\$ 6,538,309</u>

NOTE 16 – OPERATING LEASE

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

Year Ending June 30	
2019	\$ 159,744
2020	150,000
2021	150,000
2022	150,000
2023	<u>609,744</u>
	<u>\$ 1,219,488</u>

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This required a restatement to beginning net position as follows:

	Governmental activities	Business-type activities	Total
Net position, as previously reported	\$ 6,693,569	\$ (502,554)	\$ 6,191,015
Net OPEB liability - TRS	(6,182,000)	-	(6,182,000)
Net OPEB liability - CERS	(1,524,860)	(275,431)	(1,800,291)
Deferred outflows OPEB - TRS	287,341	-	287,341
Deferred outflows OPEB - CERS	113,732	20,543	134,275
Net position, as restated	<u>\$ (612,218)</u>	<u>\$ (757,442)</u>	<u>\$ (1,369,660)</u>

	Food Service Fund	Child Care Fund	Total Enterprise Total
Net position, as previously reported	\$ (502,554)	\$ -	\$ (502,554)
Net OPEB liability - CERS	(275,431)	-	(275,431)
Deferred outflows OPEB - CERS	20,543	-	20,543
Net position, as restated	<u>\$ (757,442)</u>	<u>\$ -</u>	<u>\$ (757,442)</u>

NOTE 18 – 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 19 – SUBSEQUENT EVENT

In October 2018, the Danville Independent School District Finance Corporation issued \$8,885,000 series 2018 School Building Revenue Bonds to fund the construction for renovations and improvements to the Hogsett Elementary School Project. The bonds mature September 1, 2035. Interest on the bonds ranges from 3.00% to 3.625%.

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, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 7,050,000	\$ 7,050,000	\$ 7,258,114
Motor vehicle	435,000	435,000	479,252
Utilities	1,100,000	1,100,000	1,102,072
Earnings on investments	33,000	33,000	40,341
Other local revenues	10,000	10,000	38,491
Intergovernmental - State	10,346,128	10,346,128	12,438,982
Total Revenues	<u>18,974,128</u>	<u>18,974,128</u>	<u>21,357,252</u>
Expenditures			
Instruction	13,855,258	14,410,342	12,618,101
Support services:			
Student	822,132	821,259	910,663
Instruction staff	1,478,268	1,537,838	1,496,984
District administrative	694,776	694,776	577,133
School administrative	1,324,262	1,326,178	1,416,989
Business	538,535	555,090	557,404
Plant operation and maintenance	2,367,720	2,418,454	2,292,410
Student transportation	834,538	837,538	929,753
Community services	-	16,172	16,156
Total Expenditures	<u>21,915,489</u>	<u>22,617,647</u>	<u>20,815,593</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,941,361)</u>	<u>(3,643,519)</u>	<u>541,659</u>
Other Financing Sources (Uses)			
Proceeds from disposal of capital assets	2,500	2,500	23,245
Transfers in	-	-	-
Transfers out	(337,389)	(857,037)	(1,353,402)
Total Other Financing Sources (Uses)	<u>(334,889)</u>	<u>(854,537)</u>	<u>(1,330,157)</u>
Net Change in Fund Balance	(3,276,250)	(4,498,056)	(788,498)
Fund Balance, July 1, 2017	3,276,250	4,498,056	5,097,112
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,308,614</u>

See accompanying independent auditor's report.

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, 2018

	Original	Final	Actual
Revenues			
Earnings on investments	\$ 600	\$ 600	\$ 352
Other local revenues	-	489,052	519,711
Intergovernmental - State	911,540	1,131,652	1,244,022
Intergovernmental - Indirect Federal	1,231,215	1,360,812	1,569,904
Intergovernmental - Direct Federal	-	-	122,151
Total Revenues	<u>2,143,355</u>	<u>2,982,116</u>	<u>3,456,140</u>
Expenditures			
Instruction	1,497,693	2,437,948	2,573,282
Support services:			
Student	103,904	111,358	129,871
Instruction staff	368,242	312,375	493,530
Plant operation and maintenance	-	-	28,800
Student transportation	54,981	40,230	46,451
Community service activities	153,045	195,686	203,984
Total Expenditures	<u>2,177,865</u>	<u>3,097,597</u>	<u>3,475,918</u>
Excess (Deficit) of Revenues over Expenditures	<u>(34,510)</u>	<u>(115,481)</u>	<u>(19,778)</u>
Other Financing Sources (Uses)			
Transfers in	34,510	36,136	35,078
Total Other Financing Sources (Uses)	<u>34,510</u>	<u>36,136</u>	<u>35,078</u>
Net Change in Fund Balance	<u>-</u>	<u>(79,345)</u>	<u>15,300</u>
Fund Balance, July 1, 2017	<u>-</u>	<u>-</u>	<u>79,987</u>
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ (79,345)</u>	<u>\$ 95,287</u>

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2018

CERS	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
				*
Proportion of the net pension liability	0.114170%	0.120837%	0.118955%	0.125763%
Proportionate share of the net pension liability	\$ 6,682,722	\$ 5,949,530	\$ 5,114,515	\$ 4,080,000
Covered - employee payroll	\$ 2,838,803	\$ 2,845,555	\$ 2,767,883	\$ 3,269,012
Proportionate share of the net pension liability as percentage of covered payroll	235.4%	209.1%	184.8%	124.8%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%
TRS	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
				*
Proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>89,734,893</u>	<u>98,321,795</u>	<u>75,583,336</u>	<u>65,050,191</u>
Total	<u>\$ 89,734,893</u>	<u>\$ 98,321,795</u>	<u>\$ 75,583,336</u>	<u>\$ 65,050,191</u>
Covered - employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULES DISTRICT PENSION CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2018

CERS

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

TRS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 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%

* 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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSIONS

JUNE 30, 2018

CERS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions:

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

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

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

2016 and 2017

No changes.

2018

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%.

TRS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions. The following changes in assumptions were made:

Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, 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. There were no changes for 2015 to 2018.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2018

	*
	<u>2018</u>
Proportion of the net OPEB liability	0.17511%
District's proportionate share of the net OPEB liability	\$ 6,244,144
State proportionate share of the net OPEB liability associated with the District	<u>5,101,000</u>
Total	<u>\$ 11,345,144</u>
Covered - employee payroll	\$ 9,788,389
District's proportionate share of the net OPEB liability as percentage of covered payroll	63.8%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

JUNE 30, 2018

	*
	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 327,504
Contribution in relation to the actuarially determined contributions	<u>327,504</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 10,916,800
Contributions as a percentage of covered employee payroll	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2018

	*
	<u>2018</u>
Proportion of the net OPEB liability	0.00000%
District's proportionate share of the net OPEB liability	\$ -
State proportionate share of the net OPEB liability associated with the District	<u>68,000</u>
Total	<u>\$ 68,000</u>
Covered - employee payroll	\$ 9,788,389
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO THE TRS LIFE INSURANCE FUND

JUNE 30, 2018

	*
	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ -
Contribution in relation to the actuarially determined contributions	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 10,916,800
Contributions as a percentage of covered employee payroll	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

JUNE 30, 2018

	*
	<u>2018</u>
Proportion of the net OPEB liability	0.114170%
Proportionate share of the net OPEB liability	\$ 2,295,207
Covered - employee payroll	\$ 2,807,037
Proportionate share of the net OPEB liability as percentage of covered payroll	81.8%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

JUNE 30, 2018

	*
	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 131,931
Contribution in relation to the actuarially determined contributions	<u>131,931</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 2,807,037
Contributions as a percentage of covered employee payroll	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.

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

JUNE 30, 2018

CERS OPEB

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

Changes of assumptions:

2018

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%.

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

Changes of assumptions. There were no changes in assumptions for 2018.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	District Activity Fund	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$ 164,168	\$ 69,249	\$ -	\$ 80,502	\$ 313,919
Receivables	-	-	-	-	-
Total Assets	<u>\$ 164,168</u>	<u>\$ 69,249</u>	<u>\$ -</u>	<u>\$ 80,502</u>	<u>\$ 313,919</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	164,168	69,249	-	80,502	313,919
Total Fund Balances	<u>164,168</u>	<u>69,249</u>	<u>-</u>	<u>80,502</u>	<u>313,919</u>
Total Liabilities and Fund Balances	<u>\$ 164,168</u>	<u>\$ 69,249</u>	<u>\$ -</u>	<u>\$ 80,502</u>	<u>\$ 313,919</u>

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2018

	District Activity Fund	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 935,346	\$ 935,346
Earnings on investments	1,040	-	-	-	1,040
Other local revenue	87,996	-	-	-	87,996
Intergovernmental - State	-	169,249	681,313	243,670	1,094,232
Total Revenues	<u>89,036</u>	<u>169,249</u>	<u>681,313</u>	<u>1,179,016</u>	<u>2,118,614</u>
Expenditures					
Instruction	158,890	-	-	-	158,890
Support services:					
Student	454	-	-	-	454
Instruction staff	14,627	-	-	-	14,627
Student transportation	17,759	-	-	-	17,759
Debt service:					
Principal	-	-	1,155,000	-	1,155,000
Interest	-	-	592,507	-	592,507
Total Expenditures	<u>191,730</u>	<u>-</u>	<u>1,747,507</u>	<u>-</u>	<u>1,939,237</u>
Excess (Deficit) of Revenues over Expenditures	(102,694)	169,249	(1,066,194)	1,179,016	179,377
Other Financing Sources (Uses)					
Transfers in	115,300	-	1,066,194	-	1,181,494
Transfers out	(3,623)	(100,000)	-	(1,098,514)	(1,202,137)
Total Other Financing Sources (Uses)	<u>111,677</u>	<u>(100,000)</u>	<u>1,066,194</u>	<u>(1,098,514)</u>	<u>(20,643)</u>
Net Change in Fund Balances	8,983	69,249	-	80,502	158,734
Fund balance, July 1, 2017	<u>155,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,185</u>
Fund balance, June 30, 2018	<u>\$ 164,168</u>	<u>\$ 69,249</u>	<u>\$ -</u>	<u>\$ 80,502</u>	<u>\$ 313,919</u>

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS

JUNE 30, 2018

	MARY G. HOGSETT ELEMENTARY	JENNIE ROGERS ELEMENTARY	TOLIVER ELEMENTARY	BATE MIDDLE	DANVILLE HIGH	TOTAL AGENCY FUND
Assets						
Cash and cash equivalents	\$ 3,533	\$ 891	\$ 1,554	\$ 30,459	\$ 95,644	\$ 132,081
Receivables	-	-	-	-	-	-
Total Assets	<u>\$ 3,533</u>	<u>\$ 891</u>	<u>\$ 1,554</u>	<u>\$ 30,459</u>	<u>\$ 95,644</u>	<u>\$ 132,081</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 44	\$ 1,740	\$ 1,784
Due to student groups	3,533	891	1,554	30,415	93,904	130,297
Total Liabilities	<u>\$ 3,533</u>	<u>\$ 891</u>	<u>\$ 1,554</u>	<u>\$ 30,459</u>	<u>\$ 95,644</u>	<u>\$ 132,081</u>

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

<u>SCHOOL</u>	<u>CASH BALANCE JULY 1, 2017</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCE JUNE 30, 2018</u>	<u>RECEIVABLES JUNE 30, 2018</u>	<u>ACCOUNTS PAYABLE JUNE 30, 2018</u>	<u>DUE TO STUDENT GROUPS JUNE 30, 2018</u>
MARY G. HOGSETT ELEMENTARY	\$ 1,190	\$ 17,117	\$ 14,774	\$ 3,533	\$ -	\$ -	\$ 3,533
JENNIE ROGERS ELEMENTARY	2,197	8,839	10,145	891	-	-	891
TOLIVER ELEMENTARY	1,464	26,499	26,409	1,554	-	-	1,554
BATE MIDDLE	24,520	72,647	66,708	30,459	-	44	30,415
DANVILLE HIGH	76,455	423,195	404,006	95,644	-	1,740	93,904
	<u>\$ 105,826</u>	<u>\$ 548,297</u>	<u>\$ 522,042</u>	<u>\$ 132,081</u>	<u>\$ -</u>	<u>\$ 1,784</u>	<u>\$ 130,297</u>

See accompanying independent auditor's report.

DANVILLE INDEPENDENT SCHOOL DISTRICT

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH		DISBURSEMENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES JULY 1, 2017	RECEIPTS		BALANCES JUNE 30, 2018	RECEIVABLES JUNE 30, 2018		
AP EXAMS	-	14,463	14,463	\$ -	\$ -	-	\$ -
ART	18	196	197	17	-	-	17
ARTS PROGRAM	97	-	15	82	-	-	82
BASEBALL	2,344	2,912	5,256	-	-	-	-
BASS FISHING	-	550	-	550	-	-	550
BOB ALLEN PIG SKIN	37,157	28,614	36,784	28,987	-	-	28,987
BOYS BASKETBALL	999	13,765	14,605	159	-	-	159
BOYS SOCCER	2,025	2,490	2,698	1,817	-	-	1,817
BOYS TENNIS	-	961	461	500	-	-	500
CAREER ASSOCIATION	-	600	330	270	-	-	270
CHEERLEADERS	-	10,670	7,298	3,372	-	-	3,372
CLASS OF 2018	-	-	-	-	-	-	-
CLASS OF 2019	2,849	3,920	6,769	-	-	-	-
CLASS OF 2020	-	1,247	-	1,247	-	-	1,247
COMMUNITY SERVICE	-	114	102	12	-	-	12
CROSS COUNTRY	1,024	8,925	7,158	2,791	-	-	2,791
FACULTY FUND	48	527	563	12	-	-	12
FB CHAMPIONSHIP RINGS	-	12,948	12,948	-	-	-	-
FCA	158	-	-	158	-	-	158
FEES (STUDENT)	-	4,201	4,201	-	-	-	-
FMD	309	235	508	36	-	-	36
FOOTBALL	2,336	33,259	25,657	9,938	-	-	9,938
FORENSICS	3,365	31,309	27,373	7,301	-	-	7,301
FORENSICS NATIONALS	-	16,544	16,544	-	-	-	-
GENERAL ADMINISTRATION	39	805	808	36	-	36	-
GENERAL ATHLETICS	1,213	70,807	56,676	15,344	-	-	15,344
GIRLS BASKETBALL	956	12,769	11,293	2,432	-	-	2,432
GIRLS SOCCER	-	3,580	3,385	195	-	-	195
GIRLS SOFTBALL	-	11,058	11,058	-	-	-	-
GIRLS TENNIS	-	568	568	-	-	-	-
GOLF	-	1,448	1,448	-	-	-	-
GRADUATION PHOTO	427	225	-	652	-	-	652
GUIDANCE	5	1,187	1,177	15	-	15	-
INTERSESSION	547	-	351	196	-	-	196
JR STATESMAN OF AMERICA	858	2,425	2,524	759	-	-	759
LEADERSHIP	349	-	-	349	-	-	349
LIBRARY	35	343	316	62	-	62	-
MUSIC/VOCAL	-	-	-	-	-	-	-
N WEST MUTUAL SCHOLAR	-	500	-	500	-	-	500
NHS	1,299	726	469	1,556	-	-	1,556
OPERATION CHRISTMAS	-	101	101	-	-	-	-
PBL CLASS	38	-	38	-	-	-	-
PEP CLUB	-	164	32	132	-	-	132
PLAY PRODUCTION	-	7,210	6,821	389	-	389	-
QUIZ BOWL	400	2,071	2,179	292	-	-	292
ROBOTICS	175	1,204	1,318	61	-	-	61
SCIENCE	20	-	18	2	-	-	2
SENIOR SCHOLARSHIP	138	500	600	38	-	-	38
SENIOR ACCOUNT	2,956	1,053	1,491	2,518	-	-	2,518
SOCIAL STUDIES	11	-	-	11	-	-	11
SPANISH CLUB	169	678	610	237	-	-	237
STATE CHEER PENDANTS	-	2,484	2,484	-	-	-	-
STUDENT COUNCIL	1,762	835	762	1,835	-	-	1,835
STUDENT ID BADGES	273	-	-	273	-	-	273
STUDENT PARKING TAG	-	800	800	-	-	-	-
STUDENT VENDING	1,090	764	1,281	573	-	-	573
SWIMMING	-	1,370	1,370	-	-	-	-
TEXTBOOKS	-	9,768	9,768	-	-	-	-
TRACK	3,970	8,072	8,291	3,751	-	-	3,751
TRACK STATE RINGS	-	500	-	500	-	-	500
UK PEER NETWORK PROJ	350	517	201	666	-	-	666
VOLLEYBALL	-	17,224	16,524	700	-	1,238	(538)
WINTER DANCE	24	-	24	-	-	-	-
WRESTLING	218	8,922	9,116	24	-	-	24
YEARBOOK	3,500	1,936	1,139	4,297	-	-	4,297
YOUTH CHEER	-	1,191	1,191	-	-	-	-
YOUTH FOOTBALL	2,904	888	3,792	-	-	-	-
TOTALS	76,455	363,143	343,954	95,644	-	1,740	93,904
Transfers	-	(60,052)	(60,052)	-	-	-	-
TOTALS	76,455	\$ 423,195	404,006	\$ 95,644	\$ -	1,740	\$ 93,904

See accompanying independent auditor's report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster - Cash Assistance Passed Through State Department of Education School Breakfast Program	10.553	7750002-17 7750002-18	\$ 56,418 245,846
National School Lunch Program	10.555	7760005-17 7760005-18	161,357 686,248
Summer Food Service Program for Children	10.559	7740023-17 7740023-18	37,276 41,067
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	057502-02	84,040
TOTAL CHILD NUTRITION CLUSTER			<u>1,312,252</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,312,252</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) - Passed Through State Department of Education			
Special Education - Grants to States	84.027	337D 337C	210,251 146,106
Special Education - Preschool Grants	84.173	343D	<u>21,365</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>377,722</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	310B 310C 310D 310DM	1,131 187,135 616,508 17,130
			<u>821,904</u>
Migrant Education - State Grant Program	84.011	311D 311C	69,441 41,003
			<u>110,444</u>
Vocational Education - Basic Grants to States	84.048	348D 348CA	23,552 955
			<u>24,507</u>
Rural Education	84.358	350B 350C 350D	16,915 38,008 16,262
			<u>71,185</u>
English Language Acquisition State Grants	84.365	345B 345C 345D	11,117 3,305 607
			<u>15,029</u>
Fund for the Improvement of Education	84.215F	532AF	<u>27,203</u>

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, 2018

(CONTINUED)

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Improving Teacher Quality - State Grants	84.367	401B	35,185
		401C	95,424
		401D	21,145
			<u>151,754</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,599,748</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,912,000</u>

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, 2018

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, 2018. 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, 2018

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? yes no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)? yes 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 no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10-553 / 10.555 / 10.559

U.S. DEPARTMENT OF AGRICULTURE
Child Nutrition Cluster

84.010

U.S. DEPARTMENT OF EDUCATION
Title I Grants to Local Educational Agencies

DANVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

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 2018-001 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, 2018

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, 2018 audit at finding 2018-001.

FINDING 2017-002

Child Nutrition Cluster – CFDA No. 10.553 (School Breakfast Program), 10.555 (National School Lunch Program) and 10.559 (Summer Food Service Program for Children) – Year Ended June 30, 2017 – U. S. Department of Agriculture, Passed Through State Department of Education

Material Weakness – Written Procedures

Condition The District’s policies and procedures were in accordance with state requirements but did not include the required federal requirements.

Recommendation: The District should adopt revised procedures.

Current Status: The District adopted the procedures at the June 2017 school board meeting.



STILES, CARTER & ASSOCIATES
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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, 2018, 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 13, 2018.

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 2018-001 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 13, 2018.

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 13, 2018



**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, 2018. 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, 2018.

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 13, 2018

APPENDIX F

**DANVILLE (KENTUCKY) INDEPENDENT
SCHOOL DISTRICT FINANCE CORPORATION**

Continuing Disclosure Agreement

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CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 26th day of September, 2019 by and between the Board of Education of Danville, Kentucky Independent School District ("Board"); the Danville Independent School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,975,000 of the Corporation's School Building Revenue Bonds, Series of 2019, dated September 26, 2019 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by J.J.B. Hilliard, W.L. Lyons LLC, a Baird Company, Louisville, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board, in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board, and the information provided in Appendix A of the FOS under the headings "TAX BASE AND OPERATING DATA". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

1. Principal/interest payment delinquency;
2. Nonpayment related default, if material;
3. Unscheduled draw on debt service reserve reflecting financial difficulties;
4. Unscheduled draw on credit enhancement reflecting financial difficulties;
5. Substitution of credit or liquidity provider, or its failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond call, if material and tender offers;
9. Defeasance;
10. Release, substitution or sale of property securing the repayment of the security, if material;
11. Rating change;
12. Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
13. Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. Successor, additional or change in trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term “financial obligation” means:

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information and Operating Data required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information, operating data and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

3. SPECIAL REQUESTS FOR INFORMATION

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

4. DISCLAIMER OF LIABILITY

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. FINAL OFFICIAL STATEMENT

That the Final Official Statement prepared by the Municipal Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

6. DURATION OF THE AGREEMENT

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

7. AMENDMENT; WAIVER

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

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

Chairperson

Attest:

Secretary

**DANVILLE INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$1,975,000*

**Danville Independent School District Finance Corporation
School Building Revenue Bonds, Series of 2019
Dated September 26, 2019**

SALE: September 11, 2019 AT 11:00 A.M., E.D.S.T.

The Danville Independent School District Finance Corporation ("Corporation") will until September 11, 2019, at the hour of 11:00A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment as described herein.

**DANVILLE INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Danville Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.290, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance HVAC replacement at John W. Bate Middle School, roof renovations/replacements at Danville High School (collectively, the "Project") and are secured by a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2020; provided, however, that the liens and pledges are on parity with similar liens and pledges securing the Corporation's School Building Revenue Bonds previously issued to improve or refinance the Projects (the "Parity Bonds").

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2020, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from September 26, 2019, payable on March 1, 2020, and semi-annually thereafter and shall mature as to principal on September 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$80,000	2030	\$100,000
2021	85,000	2031	100,000
2022	85,000	2032	100,000
2023	85,000	2033	105,000
2024	85,000	2034	105,000
2025	90,000	2035	110,000
2026	90,000	2036	115,000
2027	90,000	2037	115,000
2028	95,000	2038	120,000
2029	95,000	2039	125,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded as further described herein, applied in any or all maturities.

The Bonds maturing on or after September 1, 2027 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after September 1, 2026, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on March 1 and September 1 of each year, beginning March 1, 2020 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or J.J.B. Hilliard, W.L. Lyons, LLC, a Baird Company, Louisville, Kentucky, by visiting <http://pos.hilliard.com> submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be

responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The bid shall be not less than \$1,935,500 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. There is no limit on the number of different interest rates which may be specified by any bidder, however, no rate may exceed 5.0%.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of the lowest true interest cost (TIC) according to the schedule of principal amounts listed in the Official Bid Form submitted for exactly \$1,975,000 principal amount of Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase the total principal amount of Bonds sold to such best bidder by an amount not exceeding \$195,000, or decrease the total principal amount of Bonds sold to such best bidder in an amount determined by the Corporation to be in the best interest of the Corporation (the "Permitted Adjustment"), with such increase or decrease to be made in any maturity. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted, and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 11, 2019.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of

this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on September 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted

and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2020

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2020 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2018.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

CONTINUING DISCLOSURE

As a result of the principal amount of the Bonds being greater than \$1,000,000, the Corporation and the Board will be subject to the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") with respect to the Bonds. The Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Rule.

Financial information regarding the Board may be obtained from Superintendent, Danville Independent School District Board of Education, 152 E. Martin Luther King Blvd., Danville, Kentucky 40422, Telephone 859-238-1300.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of calculating the Federal alternative minimum tax.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2019, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**DANVILLE INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

**by /s/ Dr. Tammy McDonald
Secretary**

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OFFICIAL BID FORM

(Bond Purchase Agreement)

The Danville Independent School District Finance Corporation (“Corporation” or “Issuer”), will until 11:00 A.M., E.D.S.T., on September 11, 2019, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$1,975,000 School Building Revenue Bonds, Series of 2019, dated September 26, 2019; maturing September 1, 2020 through 2039 (“Bonds”).

We hereby bid for said \$1,975,000* principal amount of Bonds, the total sum of \$_____ (not less than \$1,935,500) plus accrued interest from September 26, 2019 payable March 1, 2020 and semiannually thereafter at the following annual rates, (rates not greater than 5.0% in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on September 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2020	\$80,000	_____ %	2030	\$100,000	_____ %
2021	85,000	_____ %	2031	100,000	_____ %
2022	85,000	_____ %	2032	100,000	_____ %
2023	85,000	_____ %	2033	105,000	_____ %
2024	85,000	_____ %	2034	105,000	_____ %
2025	90,000	_____ %	2035	110,000	_____ %
2026	90,000	_____ %	2036	115,000	_____ %
2027	90,000	_____ %	2037	115,000	_____ %
2028	95,000	_____ %	2038	120,000	_____ %
2029	95,000	_____ %	2039	125,000	_____ %

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$2,170,000 of Bonds or as little as is determined by the Corporation to be in the best interest of the Corporation (“Permitted Adjustment”), with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 11, 2019.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on September 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about September 26, 2019 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from September 26, 2019 to final maturity \$ _____
 Plus discount or less any premium \$ _____
 Net interest cost (Total interest cost plus discount or less any premium) \$ _____
 True Interest Cost (i.e. TIC) _____%

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by J.J.B. Hilliard, W.L. Lyons, LLC, a Baird Company, as Municipal Advisor and Agent for the Danville Independent School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>		<u>Year</u>	<u>Amount</u>	<u>Rate</u>	
2020	_____,000	_____	%	2030	_____,000	_____	%
2021	_____,000	_____		2031	_____,000	_____	
2022	_____,000	_____		2032	_____,000	_____	
2023	_____,000	_____		2033	_____,000	_____	
2024	_____,000	_____		2034	_____,000	_____	
2025	_____,000	_____		2035	_____,000	_____	
2026	_____,000	_____		2036	_____,000	_____	
2027	_____,000	_____		2037	_____,000	_____	
2028	_____,000	_____		2038	_____,000	_____	
2029	_____,000	_____		2039	_____,000	_____	

Dated: September 11, 2019

J.J.B. HILLIARD, W.L. LYONS, LLC,
a Baird Company, as Agent for the Danville
Independent School District Finance Corporation