

# **Simpson County School District**

## **Financial Statements**

**June 30, 2013**



Simpson County School District  
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June 30, 2013

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## Independent Auditor's Report

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, 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 Simpson County School District (the "District") as of and for the year ended June 30, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

- **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

- **Emphasis of Matter**

As described in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

- **Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 24 and 67 through 70 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 other information 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 purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other information, 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 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 and other information 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 our report dated November 6, 2013 on our consideration of Simpson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 6, 2013

**Required Supplementary  
Information**

**Management's Discussion  
and Analysis**



**SIMPSON COUNTY SCHOOL DISTRICT  
FRANKLIN, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

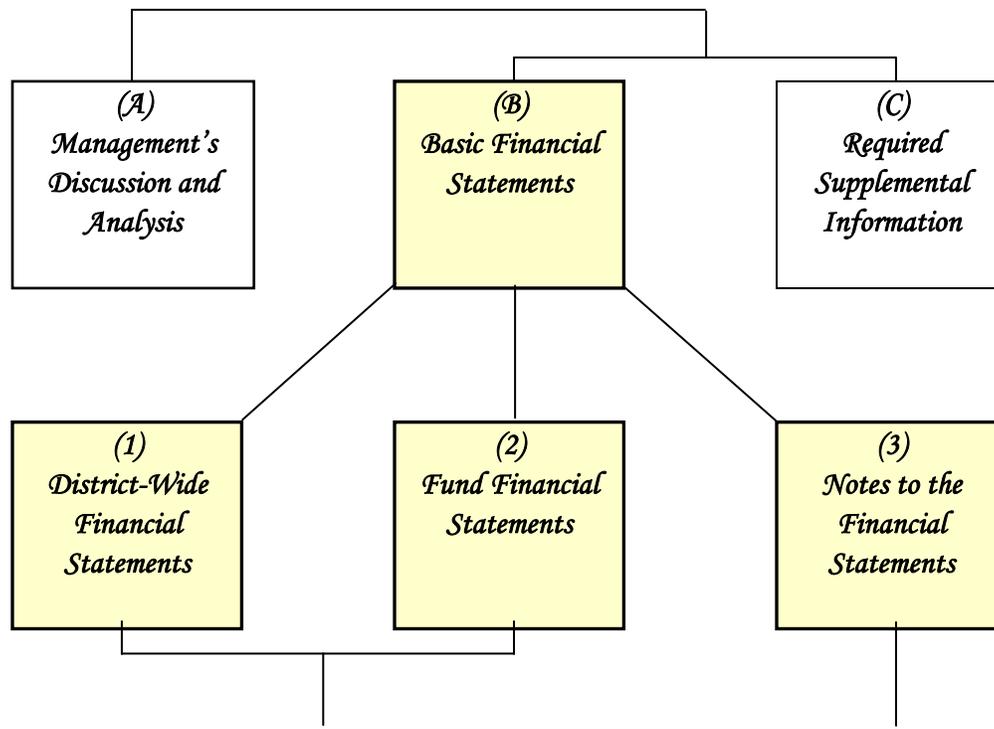
**FINANCIAL HIGHLIGHTS**

- The beginning General Fund fund balance for the District was \$3,418,624. The ending General Fund balance was \$3,371,522.
- The majority of General Fund revenues were derived from state sources (67.6%) and local taxes (31.9%). Regular instruction, student support services, instructional support services and school administration account for 77% of the General Fund expenditures. Pupil Transportation expenditures were 6%, maintenance and operations 11%, business functions 3%, and central office support, non-instructional, and fund transfers making up the remaining 3%.
- One continued concern is the impact of unfunded mandates without the compensating increase in SEEK which causes a reflection in the growth of expenses each year. SEEK is an acronym for Support Educational Excellence in Kentucky and is the state formula for funding schools. Salaries and benefits are recurring expenses that will continue to be an issue to the district to maintain quality employees without the State support of proper funding of mandates which can cause a drain on our resources.
- There is a noticeable difference reported between the budgetary and the actual revenue and expenditures due to reporting requirements mandated by the Kentucky Department of Education's (KDE) implementation of GASB regulations. The state's contribution for items including pension, technology, health care costs, operation costs and debt service totaled \$5,231,419 for all funds and is included in the district's revenues and expenditures. These are recorded within the audit as "On-Behalf Payments".
- The Capital Outlay and Facility Support Program of Kentucky (FSPK) Fund remained at a minimum due to utilization of restricted funds for renovations and improvement of facilities.
- There are two current facility improvement and building projects in the Simpson County School District during the 2012-2013 school year. The District has began building Phase I of the Fine Arts Center (including a band and chorus room), and an Athletic Field House including major repairs on the Football Stadium and a new concessions building. All projects are on the Franklin-Simpson High School Campus.

## Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Simpson County Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis, (B) the basic financial statements and related notes (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. 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.

### *Organization of the Annual Financial Report*



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances can be found on starting on page 26. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column which can be found starting on page 30.

## Notes to 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 financial statements can be found on page 41 - 65 of this report.

### Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting, used by most private-sector companies. These bases of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service and daycare services are reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$13,917,118 as of June 30, 2013. This was an increase of \$88,649 over the previous year.

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 amount of capital assets, net related of debt was \$10,445,587. 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.

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting 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 assets that belong to others. The school's activity funds are reported as fiduciary funds. The proprietary fund consists of the school food fund, community education, enrichment and the daycare fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Simpson County School District are the general fund, special revenue (grants), and construction fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The proprietary fund is our food service operations, community education, enrichment and daycare program.

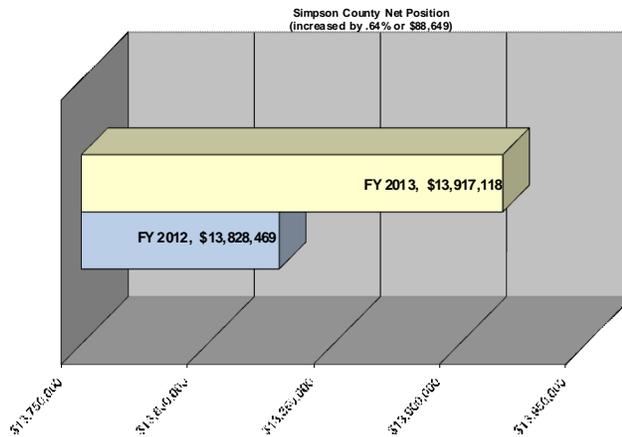
**Fiduciary Funds** – The schools' activity funds (or agency funds) are the District's fiduciary fund. The fiduciary fund liabilities at year end total \$156,118 (an increase of \$8,837 from the previous year).

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position for the period ending June 30, 2013

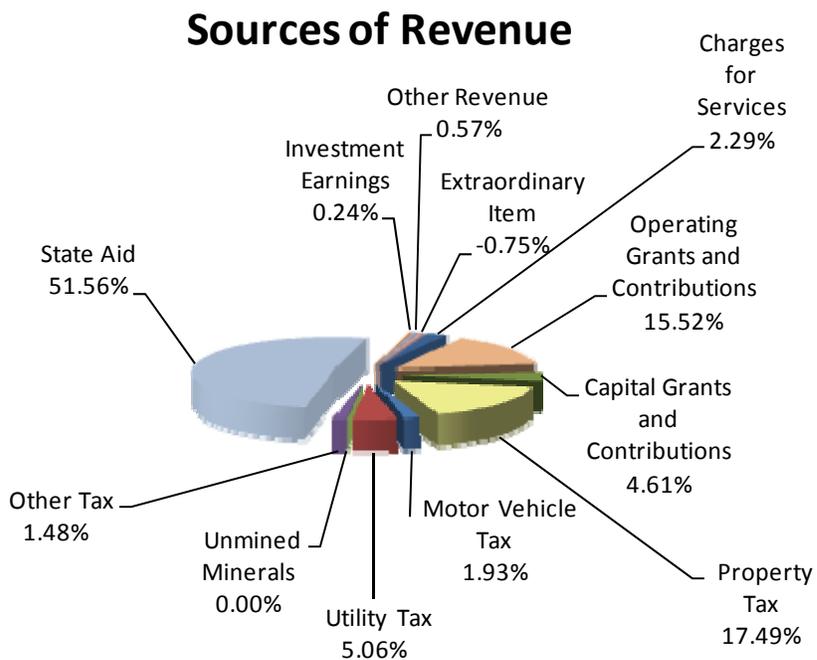
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	
Current & Other Assets	\$ 4,224,078	\$ 4,411,177	\$ 450,918	\$ 498,182	\$ 4,674,996	\$ 4,909,359	5.01%
Capital Assets	31,652,660	30,442,861	235,371	230,047	31,888,031	30,672,908	-3.81%
<b>Total Assets</b>	<b>35,876,738</b>	<b>34,854,038</b>	<b>686,289</b>	<b>728,229</b>	<b>36,563,027</b>	<b>35,582,267</b>	<b>-2.68%</b>
<b>Deferred Outflows</b>	-	<b>780,130</b>	-	-	-	<b>780,130</b>	<b>0.00%</b>
Long Term Liabilities	20,416,907	19,956,295	-	-	20,416,907	19,956,295	-2.26%
Other Liabilities	2,257,787	2,163,053	59,864	4,209	2,317,651	2,167,262	-6.49%
<b>Total Liabilities</b>	<b>22,674,694</b>	<b>22,119,348</b>	<b>59,864</b>	<b>4,209</b>	<b>22,734,558</b>	<b>22,123,557</b>	<b>-2.69%</b>
<b>Deferred Inflows</b>	-	<b>101,145</b>	-	-	-	<b>101,145</b>	<b>0.00%</b>
<b>Contingency</b>	-	<b>220,577</b>	-	-	-	<b>220,577</b>	<b>0.00%</b>
Investment in Capital Assets (net of debt)	10,291,171	10,215,540	221,467	230,047	10,512,638	10,445,587	-0.64%
Restricted	367,441	766,918	-	-	367,441	766,918	0.00%
Unrestricted	2,543,432	2,210,640	404,958	493,973	2,948,390	2,704,613	-8.27%
<b>Total Net Position</b>	<b>\$ 13,202,044</b>	<b>\$ 13,193,098</b>	<b>\$ 626,425</b>	<b>\$ 724,020</b>	<b>\$ 13,828,469</b>	<b>\$ 13,917,118</b>	<b>0.64%</b>

At year-end assets exceeded liabilities by \$13,917,118.



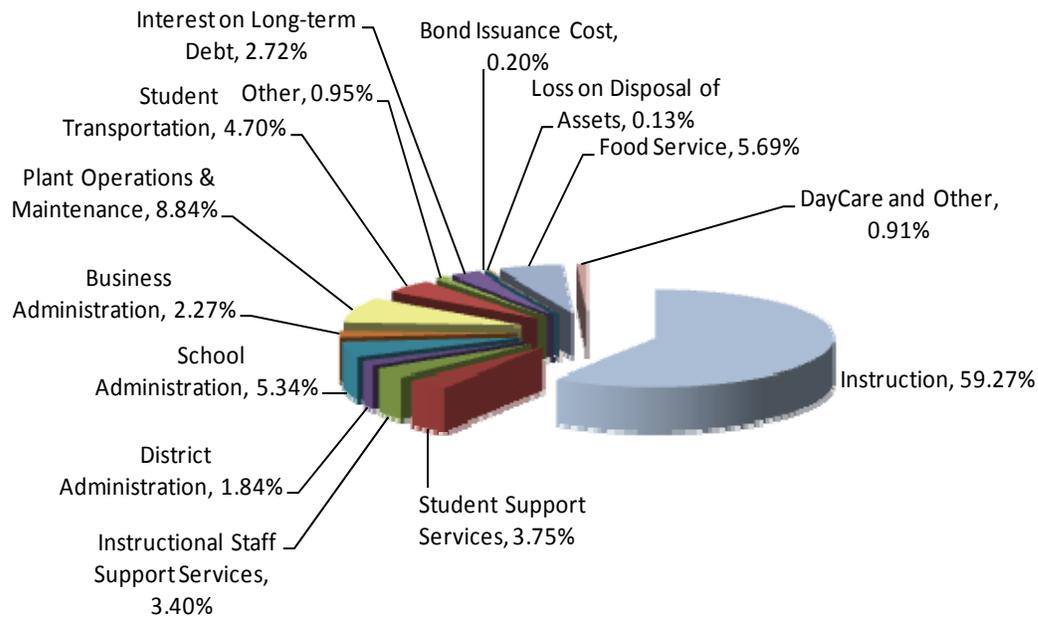
## Changes in Net Position for June 30, 2012 and June 30, 2013

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	2012-13
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$14,040	\$19,817	\$658,199	\$648,594	\$672,239	\$668,411	-0.57%
Operating Grants and Contributions	3,489,356	3,177,772	1,316,505	1,359,903	4,805,861	4,537,675	-5.58%
Capital Grants and Contributions	1,330,759	1,347,588	-	-	1,330,759	1,347,588	1.26%
<b>General Revenue</b>							
Property Tax	4,986,952	5,112,855	-	-	4,986,952	5,112,855	2.52%
Motor Vehicle Tax	543,036	564,979	-	-	543,036	564,979	4.04%
Utility Tax	1,485,860	1,478,104	-	-	1,485,860	1,478,104	-0.52%
Unmined Minerals	1,864	1,305	-	-	1,864	1,305	-29.99%
Other Tax	179,187	433,404	-	-	179,187	433,404	141.87%
State Aid	15,363,210	15,076,376	-	-	15,363,210	15,076,376	-1.87%
Investment Earnings	73,086	66,550	3,823	3,519	76,909	70,069	-8.89%
Other Revenue	218,665	164,100	(357)	3,524	218,308	167,624	-23.22%
Extraordinary Item	-	(220,577)	-	-	-	(220,577)	0.00%
<b>Total Revenues</b>	<b>\$27,686,015</b>	<b>\$27,222,273</b>	<b>\$1,978,170</b>	<b>\$2,015,540</b>	<b>\$29,664,185</b>	<b>\$29,237,813</b>	<b>-1.44%</b>



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	2012-2013
Instruction	\$ 17,928,207	\$ 17,218,823	\$ -	\$ -	\$ 17,928,207	\$ 17,218,823	-3.96%
Student Support Services	1,110,756	1,090,466	-	-	1,110,756	1,090,466	-1.83%
Instructional Staff Support Services	1,045,066	989,071	-	-	1,045,066	989,071	-5.36%
District Administration	458,112	534,003	-	-	458,112	534,003	16.57%
School Administration	1,518,590	1,550,980	-	-	1,518,590	1,550,980	2.13%
Business Administration	589,696	658,372	-	-	589,696	658,372	11.65%
Plant Operations & Maintenance	2,656,177	2,567,465	-	-	2,656,177	2,567,465	-3.34%
Student Transportation	1,352,487	1,364,957	-	-	1,352,487	1,364,957	0.92%
Other	287,743	274,983	-	-	287,743	274,983	-4.43%
Interest on Long-term Debt	962,980	789,252	-	-	962,980	789,252	-18.04%
Bond Issuance Cost	-	56,800	-	-	-	56,800	0.00%
Loss on Disposal of Assets	51,155	38,746	-	-	51,155	38,746	0.00%
Food Service	-	-	1,649,583	1,653,397	1,649,583	1,653,397	0.23%
DayCare and Other	-	-	232,100	264,548	232,100	264,548	13.98%
<b>Total Expenses</b>	<b>\$ 27,960,969</b>	<b>\$ 27,133,918</b>	<b>\$ 1,881,683</b>	<b>\$ 1,917,945</b>	<b>\$ 29,842,652</b>	<b>\$ 29,051,863</b>	<b>-2.65%</b>

## Expenses

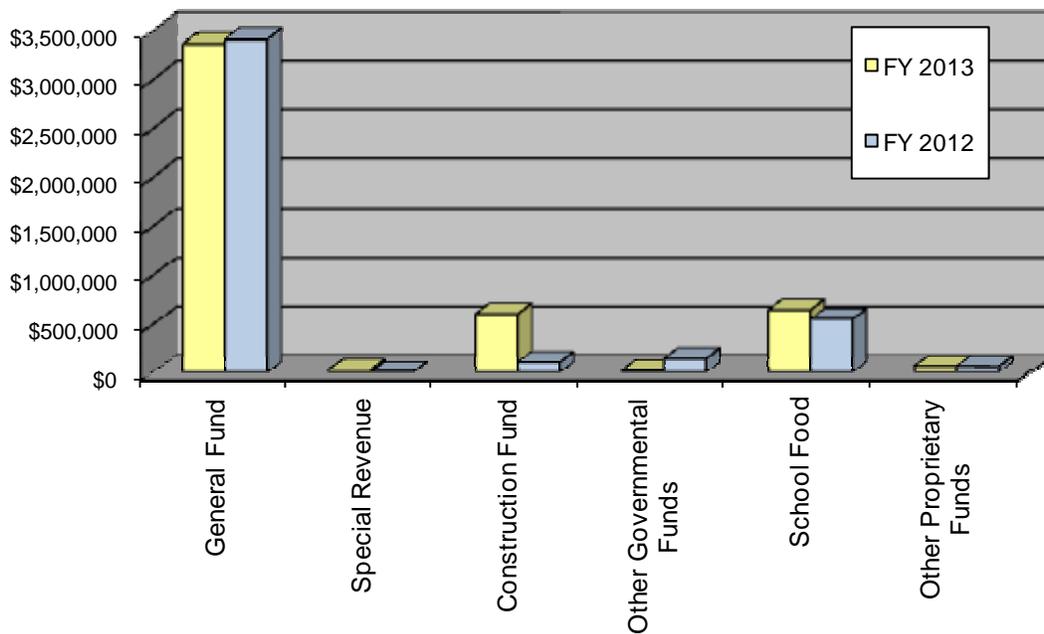


- The District’s total revenues were \$29,237,813 and the total expenses were \$29,051,863. Revenues exceeded expenses by \$185,950.
- State revenues accounted for 52% and local taxes accounted for 26% of the revenue.
- Instruction was the major expense category and accounted for 59% of the total.
- Food Service revenues exceeded expenses by \$96,250 resulting in a profit. Day Care revenues exceeded expenses by \$1,345.

### Financial Analysis of the District Funds

End-of-Year Fund Balances	FY 2012	FY 2013	Amount of Change	% Change
General Fund	\$3,418,624	\$3,371,522	(\$47,102)	-1%
Special Revenue	\$7,583	\$35,818	\$28,235	372%
Construction Fund	\$115,111	\$613,767	\$498,656	433%
Other Governmental Funds	\$152,940	\$25,526	(\$127,414)	-83%
School Food	\$558,373	\$654,623	\$96,250	17%
Other Proprietary Funds	\$68,052	\$69,397	\$1,345	2%

### Year-End Balances



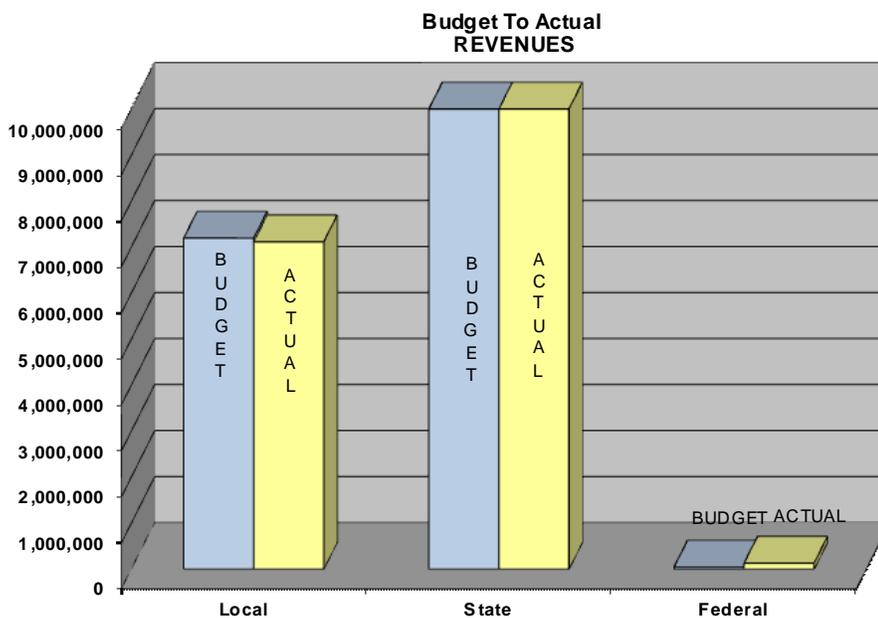
- The General Fund’s fund balance showed a decrease in fund balance of \$47,102. This reflects an increase in expenditures for a one-time general fund transfer to the construction fund for the new Athletic Facility.
- The Special Revenue fund balance showed a increase of \$28,235. Projects in the Special Revenue fund are zeroed at year-end with the exception of the KETS Technology project(s).
- Construction fund and other governmental funds showed a net increase in fund balance of \$371,242. This consists mainly of construction funds which are restricted funds to be used for construction and renovation projects outlined by the District Facility Plan.

- Other Proprietary Funds, which includes the District Daycare operation, had an increase in funds of \$1,345, while the School Food Fund had an increase of \$96,250.

### Comments on General Fund Budget Comparisons

- The District’s General Fund total revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$17,848,006. This is \$17,243 more than was budgeted in the final working budget. The District budgeted conservatively in its local revenues, but received \$79,722 (1%) less than budget. Local revenues account for 40% of general fund revenues. The District received \$9,087 more and \$87,878 more than budgeted amounts in state and federal (Medicaid) revenues, respectively.
- Expenditures were less than budgeted by \$1,592,172. The main reason is that contingencies of \$1,323,450 were budgeted and not intended to be spent.
- The General Fund’s ending actual balance was \$47,102 less than the prior year.
- The Final Budget and the Original Budget differ primarily because the Original (Working) Budget is prepared by the end of September for the school year and the Final Budget contains Board approved amendments.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not expended at the end of the previous year.

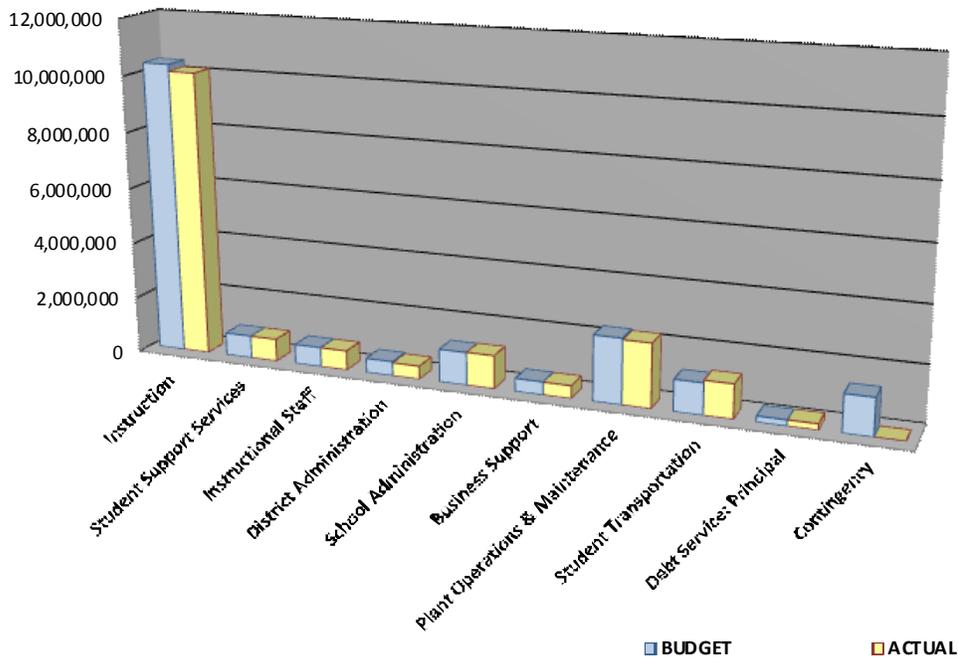
	BUDGET	ACTUAL
Local	\$ 7,194,255	\$ 7,114,533
State	\$ 10,596,508	\$ 10,605,595
Federal	\$ 40,000	\$ 127,878
TOTAL	\$ 17,830,763	\$ 17,848,006
	DIFFERENCE	\$ 17,243



## General Fund Budget Comparisons (continued)

Expenditures	BUDGET	ACTUAL
Instruction	\$ 10,375,005	\$ 10,126,953
Student Support Services	\$ 804,342	\$ 798,595
Instructional Staff	\$ 695,378	\$ 689,874
District Administration	\$ 507,897	\$ 464,694
School Administration	\$ 1,166,719	\$ 1,171,927
Business Support	\$ 458,174	\$ 448,349
Plant Operations & Maintenance	\$ 2,311,660	\$ 2,261,043
Student Transportation	\$ 1,114,423	\$ 1,203,441
Debt Service: Principal	\$ 209,385	\$ 209,385
Contingency	\$ 1,323,450	\$ -
	\$ 18,966,433	\$ 17,374,261
	DIFFERENCE	\$ (1,592,172)

### Budget to Actual Expenditures



The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2013.

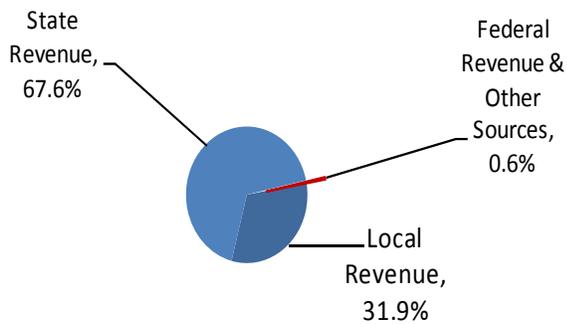
**Revenues:**

Local Revenue:		\$ 7,114,533
Taxes		
Property	\$ 4,489,799	
Motor Vehicle	564,979	
Utilities	1,478,104	
Unmined Minerals	1,305	
Other	433,404	
Tuition and Fees	8,317	
Earnings on Investments	66,493	
Other Local Revenue	72,132	
State Revenue		15,076,376
Federal Revenue & Other Sources		127,878
<b>Total Revenues</b>		<b><u>\$ 22,318,787</u></b>

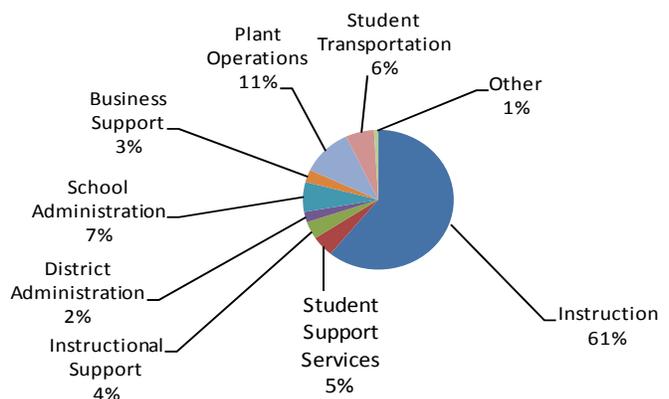
**Expenditures:**

Instruction		\$ 13,315,321
Support Services:		
Student Support Services	1,046,798	
Instructional Support	888,266	
District Administration	520,209	
School Administration	1,508,489	
Business Support	631,357	
Plant Operations	2,395,735	
Student Transportation	1,329,482	
Debt Service: Principal	209,385	
<b>Total Expenditures</b>		<b><u>\$ 21,845,042</u></b>

**GENERAL FUND REVENUES**



**GENERAL FUND EXPENDITURES**

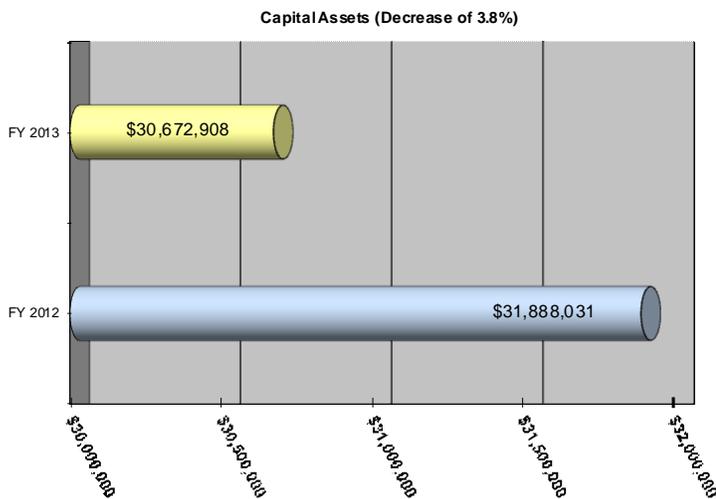


# CAPITAL ASSET AND DEBT ADMINISTRATION

## Capital Assets

By June 30, 2013, the district had invested \$49,525,118 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The accumulated depreciation was a total of \$18,852,210. This district had \$154,675 in construction in progress on open projects throughout the district at June 30, 2013.

Capital Assets (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	2012-2013
Land	\$ 792,641	\$ 696,080	\$ -	\$ -	\$ 792,641	\$ 696,080	-12.2%
Construction in Progress	\$ -	\$ 154,675	\$ -	\$ -	\$ -	\$ 154,675	0.0%
Buildings	\$ 28,624,207	\$ 27,613,129	\$ -	\$ -	\$ 28,624,207	\$ 27,613,129	-3.5%
Equipment and Furniture	\$ 1,171,406	\$ 922,970	\$ 235,371	\$ 230,047	\$ 1,406,777	\$ 1,153,017	-18.0%
Vehicles	\$ 1,064,406	\$ 1,056,007	\$ -	\$ -	\$ 1,064,406	\$ 1,056,007	-0.8%
<b>Total Assets</b>	<b>\$ 31,652,660</b>	<b>\$ 30,442,861</b>	<b>\$ 235,371</b>	<b>\$ 230,047</b>	<b>\$ 31,888,031</b>	<b>\$ 30,672,908</b>	<b>-3.8%</b>



## Long-Term Debt

At year-end the district had \$21 million in general obligation bonds outstanding.

General Obligation Bonds:		Governmental Activites FY 2012	Governmental Activites FY 2013
Series 2002	Re-funding of 1993 Issue (Additions and Renovation to Lincoln Elementary)	\$ 265,000	\$ -
Series 2005	Renovations for Simpson Elem, F-S Middle School	\$ 8,240,000	\$ 1,160,000
Series 2006	Improvements at Franklin Elementary - Phase I	\$ 4,975,000	\$ 4,770,000
Series 2007	Improvements at Franklin Elementary - Phase II	\$ 340,000	\$ 325,000
Series 2007R	Partially Refinanced Series 2000 Bonds	\$ 1,880,000	\$ 1,685,000
Series 2010	Franklin-Simpson High School Gymnasium	\$ 4,720,000	\$ 4,645,000
Series 2012	Re-funding of 2005 Issue	\$ -	\$ 7,365,000
KISTA		\$ 1,069,472	\$ 1,070,110
<b>TOTAL</b>		<b>\$ 21,489,472</b>	<b>\$ 21,020,110</b>

## BUDGETARY IMPLICATIONS

A fundamental principle of finance is a balanced budget. It is important not to spend more than is received. Unknown circumstances sometimes arise that require expenses in a year that exceed revenues. It is extremely important that the district continue to budget very conservatively. The district receives approximate 68% of its revenue each year through the state funding formula (SEEK). There have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 20% of the revenue is from local property tax. The major portion of the tax revenue does not come to the district until the sixth-eighth months of the school year. This means the general fund's beginning fund balance must be used to absorb much of the first five months of expenditures in the school year. Provisions must always be made to have a significant fund beginning balance to start each year. The General Fund has an ending fund balance of \$3,371,522 being brought forward as a beginning balance for next year to continue to effectively maintain quality programs. Some of this surplus is already obligated due to the recurring increase cost of salaries.

By law the budget must have a minimum 2% contingency, but it is recommended that a higher contingency be maintained. The beginning fund balance at the beginning of the 2014 fiscal year is \$3,371,522 (comprised of nonspendable, restricted, committed, assigned and unassigned funds). Significant Board action that impacts the finances include the approval of the construction of phase one of a Fine Arts Center, life-safety repairs to the Football Stadium, construction of a Fieldhouse, and general fund matching dollars for state and federal grants. The district currently participates in over thirty federal and state grants. All federal funds received by Simpson County are restricted for specific purposes. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant upfront and then apply for reimbursement. At year-end, the District's General Fund was due \$477,187 from other funds. The district must continue to monitor the grants

constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements. In addition, decisions about allocation of funds held in reserve for annual expense must always consider the implication of recurring expense. Personnel expenses are a classic example of recurring expense. Also, additional contingency is required due to the age of the district's buildings where unanticipated major repairs could arise to maintain up-to-date facilities and a good learning environment for all students. Simpson County Schools has made a continuous effort to increase pay raises above the state minimum requirement to compete more with surrounding districts in attracting the best and talented educators. The district's policy of maintaining a strong reserve resulted in no cutbacks or layoffs as a result of reduced state funding.

## **DISTRICT CHALLENGES FOR THE FUTURE**

The economy continues to be an area of concern for all types of organizations and individuals, including our school system. State and federal revenues have been declining. Though the state outlook seems to be improving, there seems to be little promise for additional education funding in the short-term. The federal outlook is even bleaker. The sequestration cuts are a serious threat to our Title 1 and IDEA programs that support intervention services for our most needy students. While the state and federal governments are failing to act to improve education funding, I applaud the vision and courage of the members of the Simpson County Board of Education members and the citizens of Simpson County for supporting the 4% tax rate! We can only hope things will improve and we can continue our march forward of providing our students in Simpson County with a world-class, high quality education that is second to none.

Our vision is to be the best school system in the state of Kentucky that empowers our students to graduate life-ready – academically and socially prepared for college and/or careers! To that end, our mission is simple – to develop each child to their fullest potential and prepare them for the next level of life! We are proud that our school system was rated as a Proficient District on the latest results of the state assessment and accountability system. This performance ranked Simpson County Schools among the upper echelon of all school districts in Kentucky. Franklin Simpson High School achieved a Distinguished rating and is ranked #1 in the region and 12<sup>th</sup> overall in the state among high schools! Franklin Simpson Middle Schools achieved a Proficient rating as well!

Our expectations are very high for every student and employee in our school system. To meet this important vision and mission, we focus our efforts on five fundamental questions that drive the work in our schools:

1. ***Do we have a clear plan for building positive, professional relationships with students, their families and one another?***
2. ***Do we have clear procedures for making sure we are teaching the standards that we expect all students to know and be able to do in order to graduate college and/or career ready?***
3. ***Do we have clear procedures for making sure our students have learned the standards?***
4. ***Do we have clear procedures for making sure we “fix it” when students struggle learning and meeting the standards?***
5. ***Do we have clear procedures for providing enrichments and “stretch” learning for students who are already meeting or exceeding the standards?***

We will maintain a sharp focus on these guiding questions in our work throughout the 2013-2014 school year and beyond!

Some specific initiatives we are implementing to improve student achievement and help us meet our student achievement goals include the following:

*We have a process, including a monitoring system, to align and continuously renew the district curriculum. Data, including classroom assessment results, should be used to identify gaps in the curriculum as it is implemented.*

- We will continue to refine and renew the district curriculum through on-going planned sessions to further develop our resources, curricular units and assessments around each content standard, specifically the new common core standards in reading and math, as well as the new standards in science and social studies as those are released.
- We have implemented district-wide learning checks and common assessments to monitor student progress on the district curriculum. We have planned these learning checks to occur at least quarterly.
- We are implementing Pre/Post testing in Reading, Language and Math in Grades K-8 for all students to measure individual student growth over the year. We are using the STAR Enterprise Assessment to provide diagnostic information that will help teachers deliver targeted instruction to meet individual learner needs.
- At the high school level we are implementing Pre/Post assessment using the PLAN and ACT series to help ensure every graduate is ready for post secondary training. Additionally, we have ramped up our Advanced Placement course offerings and implemented a partnership with the Franklin Center of Bowling Green Technical College to offer dual credit college courses for students. Through these programs, students at FSHS earned over 600 hours of college credit last year!
- Our Professional Learning Community (PLC) Work will bring teachers together in collegial work groups to analyze student work and results on classroom assessments and use the data to inform instruction, share and celebrate successful strategies, as well as identify students who need remediation or enrichment in an area. Ultimately, we want to achieve common formative and summative assessments in like courses/content areas that are aligned to the district curriculum and use the results from these assessments to inform instruction and identify students for interventions/enrichments...

*We will use a variety of methods to gauge the status of the existing district and school cultures. Results of the methods will be used to determine strategies to implement that foster a culture conducive to performance excellence. All staff should be held responsible for the success of all students.*

- We will continue monitoring student attendance, discipline reports, grade distributions, drop-out rates.... We will more closely monitor staff attendance as an indicator as well.
- We will implement surveys of staff, students and parents to gauge our culture and performance perceptions among stakeholders. We will use this information to monitor our culture and develop strategies for improving it on behalf of our students.

*We will execute effective use of planning time using the most current curriculum standards to develop lesson plans and units of study.*

- We will continue our work with *Thoughtful Education*, refining our efforts to design effect lessons and units of study around the district curriculum using research-based instructional strategies and engaging resources. We will use time during the work-day for job embedded staff development to work on this and other important initiatives for raising student achievement. One important initiative that ties together the curriculum, instruction and assessment practices around high levels of student engagement our ***Designing Student Engagement*** work with John Antonetti.

Our business is a people business. The adults we have working with our students is critical to our success. Therefore, it's essential to our mission to attract and retain the very best educators possible in order to enhance the instructional program for all students. This requires competitive salaries/benefits and up-to-date resources and facilities. We have upgraded all of our recruitment, assessment and selection systems to improve our ability to attract and hire the very best. We are continuing our new teacher induction programming with plans

to further develop a career development program for staff at all levels of experience.

We are continuing our support and work with teachers who are working on the prestigious and rigorous National Board Teacher Certification Program. The National Board for Professional Teaching Standards was established in 1987 to advance quality teaching and learning by developing a national vocabulary of teaching standards and recognizing accomplished teaching through administering a voluntary program of National Board Teacher Certification. Today, National Board Teacher Certification is not only a rare, highly-regarded professional distinction, but is also shown by research to have a positive impact on student achievement. We continue to support our teachers in this program and others to inspire growth and development over an entire career.

In our quest to our students, staff and visitors with high quality school facilities, we have completed improvements to almost every school building in our district over the past 8 years. Our current District Facilities Plan approved in the spring of 2011 has as its top priority a new performing arts center for the high school. We are in the process of constructing the first phase of this project with a new band room and chorus room in the design process. We're targeting a January 2014 completion date for this project. We completed construction of a new competition gym/physical education/student wellness center at FSHS in June of 2011. We sincerely hope the General Assembly will consider measures to address adequate facility funds in a manner that will be equitable for school districts across the state. An adequate and equitable funding system would provide the resources necessary to do all of our priority one projects in our current District Facilities Plan.

Due to the current economic conditions, district funding is a serious issue facing our school system. Though our school system has consistently ranked in the bottom 5% to 15% of the state in total per pupil funding, we have operated our district efficiently and wisely which has allowed us to maintain a healthy budget. Consequently, we have been able to maintain most of our programs and services for students without making any major cuts. However, if the current economic conditions persist, we will be faced with more serious cuts like many districts have already experienced. We are implementing serious "belt tightening" strategies to help us maintain critical programs for our students. Some key areas we must keep our focus on to maximize our funding are:

- ✓ **Improving student attendance** – we need students to be at school in order to teach them. At the same time, our funding mechanism is dependent on student attendance rates. We need our student to attend school every day possible. Good student attendance will improve learning results and our financial outlook. So far this school year, we are achieving record-breaking attendance rates!
- ✓ **Reducing substitute costs** by improving staff attendance. Just like our students, we need our staff present every day possible to deliver on our mission while saving on the cost of providing a substitute.
- ✓ **Initiating a district-wide Energy Savings Program and Promotion** to encourage saving energy by turning off lights, computers, SMART boards and projectors when not in use... We need to instill an awareness and commitment to energy efficiency among every person in our school system!
- ✓ **Initiating a "Pay to Save" program** rewarding staff members and/or students who come up with cost-saving strategies that are proven to save money!
- ✓ **Selling our surplus equipment** – we plan to scour the district for unused items and have a big sale/auction. We can raise revenues and remove clutter at the same time!

Making progress in the above mentioned initiatives can help us improve our financial outlook and be better able to provide our students and staff with the needed resources to help us achieve our vision/mission for all students. Ultimately, we are going to work hard to ensure the funds we have are targeted toward helping our students learn and be successful in life.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general

overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to Jim Flynn, Superintendent or Amanda Deweese, Finance Director (270) 586-8877, 430 South College St., Franklin, KY, 42134.

# Basic Financial Statements

Simpson County School District  
Statement of Net Position

June 30, 2013	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 3,500,276	\$ 350,079	\$ 3,850,355
Accounts receivable			
Taxes	334,540	-	334,540
Accounts	4,550	4,574	9,124
Intergovernmental	571,359	114,692	686,051
Inventory	-	28,837	28,837
Prepaid expenses	452	-	452
Non-depreciable capital assets	761,656	-	761,656
Depreciable capital assets	48,159,317	604,145	48,763,462
Less: accumulated depreciation	(18,478,112)	(374,098)	(18,852,210)
Total assets	34,854,038	728,229	35,582,267
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	780,130	-	780,130
Total deferred outflows of resources	780,130	-	780,130
<b>Liabilities</b>			
Accounts payable	143,154	4,209	147,363
Accrued liabilities	180,861	-	180,861
Unearned revenue	40,529	-	40,529
Accrued interest	276,356	-	276,356
Long-term obligations			
Due within one year			
Outstanding bonds	1,389,447	-	1,389,447
Compensated absences	132,706	-	132,706
Due beyond one year			
Outstanding bonds	19,516,859	-	19,516,859
Compensated absences	439,436	-	439,436
Total liabilities	22,119,348	4,209	22,123,557

<b>June 30, 2013</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
Deferred gain on bonds	101,145	-	101,145
Total deferred inflows of resources	101,145	-	101,145
<b>Contingency</b>			
Contingency - loss from KSBIT settlement	220,577	-	220,577
Total contingency	220,577	-	220,577
<b>Net Position</b>			
Invested in capital assets, net of related debt	10,215,540	230,047	10,445,587
Restricted for			
Capital projects	639,293	-	639,293
Grant programs	35,818	-	35,818
Compensated absences	91,807	-	91,807
Unrestricted	2,210,640	493,973	2,704,613
<b>Total Net Position</b>	<b>\$ 13,193,098</b>	<b>\$ 724,020</b>	<b>\$ 13,917,118</b>

See accompanying notes to the financial statements.

Simpson County School District  
Statement of Activities

Year Ended June 30, 2013	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction	\$ 17,218,823	\$ 8,317	\$ 2,647,820	\$ 107,913	\$ (14,454,773)	\$ -	\$ (14,454,773)
Support Services:							
Student	1,090,466	-	41,049	-	(1,049,417)	-	(1,049,417)
Instructional staff	989,071	-	93,781	-	(895,290)	-	(895,290)
District administration	534,003	-	-	-	(534,003)	-	(534,003)
School administration	1,550,980	-	39,111	-	(1,511,869)	-	(1,511,869)
Business	660,134	-	25,918	-	(634,216)	-	(634,216)
Plant operations & maintenance	2,567,465	11,500	28,502	-	(2,527,463)	-	(2,527,463)
Student transportation	1,364,957	-	28,370	-	(1,336,587)	-	(1,336,587)
Other	273,221	-	273,221	-	-	-	-
Building improvements	-	-	-	616,227	616,227	-	616,227
Interest on long-term debt	789,252	-	-	623,448	(165,804)	-	(165,804)
Bond issuance cost	56,800	-	-	-	(56,800)	-	(56,800)
Loss on disposal of assets	38,746	-	-	-	(38,746)	-	(38,746)
Total governmental activities	27,133,918	19,817	3,177,772	1,347,588	(22,588,741)	-	(22,588,741)
Business-type Activities:							
Food services	1,653,397	426,582	1,316,022	-	-	89,207	89,207
Other	264,548	222,012	43,881	-	-	1,345	1,345
Total business-type activities	1,917,945	648,594	1,359,903	-	-	90,552	90,552
<b>Total School District</b>	<b>\$ 29,051,863</b>	<b>\$ 668,411</b>	<b>\$ 4,537,675</b>	<b>\$ 1,347,588</b>	(22,588,741)	90,552	(22,498,189)

General Revenues			
Taxes:			
Property	5,112,855	-	5,112,855
Motor vehicle	564,979	-	564,979
Utilities	1,478,104	-	1,478,104
Unmined minerals	1,305	-	1,305
Other	433,404	-	433,404
State aid	15,076,376	-	15,076,376
Investment earnings	66,550	3,519	70,069
Other	164,100	3,524	167,624
Extraordinary item - loss on KSBIT settlement	(220,577)	-	(220,577)
<hr/>			
Total general revenues and extraordinary item	22,677,096	7,043	22,684,139
<hr/>			
Change in Net Position	88,355	97,595	185,950
Net Position - Beginning of Year	13,202,044	626,425	13,828,469
Effect of Adoption of GASB 65	(97,301)	-	(97,301)
<hr/>			
Net Position - Beginning of Year, as restated	13,104,743	626,425	13,731,168
<hr/>			
<b>Net Position - End of Year</b>	<b>\$ 13,193,098</b>	<b>\$ 724,020</b>	<b>\$ 13,917,118</b>
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Simpson County School District  
 Balance Sheet  
 Governmental Funds

June 30, 2013	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 2,831,780	\$ -	\$ 642,970	\$ 25,526	\$ 3,500,276
Accounts receivable					
Taxes	334,540	-	-	-	334,540
Accounts	4,550	-	-	-	4,550
Intergovernmental	-	571,359	-	-	571,359
Due from other funds	477,187	-	-	-	477,187
Prepaid Expenses	452	-	-	-	452
<b>Total Assets</b>	<b>\$ 3,648,509</b>	<b>\$ 571,359</b>	<b>\$ 642,970</b>	<b>\$ 25,526</b>	<b>\$ 4,888,364</b>

**Liabilities and Fund Balances**

Liabilities					
Accounts payable	\$ 96,126	\$ 17,825	\$ 29,203	\$ -	\$ 143,154
Accrued liabilities	180,861	-	-	-	180,861
Due to other funds	-	477,187	-	-	477,187
Unearned revenue	-	40,529	-	-	40,529
<b>Total liabilities</b>	<b>276,987</b>	<b>535,541</b>	<b>29,203</b>	<b>-</b>	<b>841,731</b>
Fund Balances					
Non-Spendable	452	-	-	-	452
Restricted	91,807	35,818	613,767	25,526	766,918
Committed	1,456,260	-	-	-	1,456,260
Assigned	76,640	-	-	-	76,640
Unassigned	1,746,363	-	-	-	1,746,363
<b>Total fund balances</b>	<b>3,371,522</b>	<b>35,818</b>	<b>613,767</b>	<b>25,526</b>	<b>4,046,633</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,648,509</b>	<b>\$ 571,359</b>	<b>\$ 642,970</b>	<b>\$ 25,526</b>	<b>\$ 4,888,364</b>

Simpson County School District  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position

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June 30,	2013
Total Fund Balances - Governmental Funds	\$ 4,046,633
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$48,920,973, and the accumulated depreciation is \$18,478,112.	30,442,861
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	780,130
Governmental funds record gains on debt refundings as other financing uses when the issues are refunded. Unamortized gains on refundings are included on the government-wide financial statements as a deferred inflow of resources.	(101,145)
Contingent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(220,577)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:	
Bonds payable	(20,906,306)
Accrued interest on the bonds	(276,356)
Compensated absences	(572,142)
<b>Total Net Position - Governmental Activities</b>	<b>\$ 13,193,098</b>

See accompanying notes to the financial statements.

Simpson County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2013	General Fund	Special Revenue Fund	Contruction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 4,489,799	\$ -	\$ -	\$ 623,056	\$ 5,112,855
Motor vehicle	564,979	-	-	-	564,979
Utilities	1,478,104	-	-	-	1,478,104
Unmined minerals	1,305	-	-	-	1,305
Other	433,404	-	-	-	433,404
Tuition and fees	8,317	13,184	-	-	21,501
Earnings on investments	66,493	429	35	57	67,014
Other local revenue	72,132	91,536	-	-	163,668
Intergovernmental - state	15,076,376	1,233,806	-	1,146,162	17,456,344
Intergovernmental - federal	127,878	1,946,730	-	93,478	2,168,086
Total revenues	22,318,787	3,285,685	35	1,862,753	27,467,260
Expenditures					
Current:					
Instruction	13,315,321	2,819,751	-	-	16,135,072
Support services:					
Student	1,046,798	41,049	-	-	1,087,847
Instructional staff	888,266	93,781	-	-	982,047
District administration	520,209	-	-	-	520,209

School administration	1,508,489	39,111	-	-	1,547,600
Business	631,357	25,918	-	-	657,275
Plant operations and maintenance	2,395,735	28,502	-	-	2,424,237
Student transportation	1,329,482	28,370	-	-	1,357,852
Other	-	273,221	-	-	273,221
Debt service:					
Principal	209,385	-	-	1,165,000	1,374,385
Interest	-	-	-	789,841	789,841
Bond issuance costs	-	-	-	56,800	56,800
Building Acquisition and Construction	-	-	154,674	-	154,674
<b>Total expenditures</b>	<b>21,845,042</b>	<b>3,349,703</b>	<b>154,674</b>	<b>2,011,641</b>	<b>27,361,060</b>
Excess (deficiency) of revenues over expenditures	473,745	(64,018)	(154,639)	(148,888)	106,200
Other financing sources (uses)					
Bond proceeds	179,162	-	-	-	179,162
Proceeds of advance refunded bonds	-	-	-	7,458,145	7,458,145
Payment to advance refunded bonds escrow agent	-	-	-	(7,391,132)	(7,391,132)
Operating transfers - in	-	92,253	653,295	1,321,129	2,066,677
Operating transfers - out	(700,009)	-	-	(1,366,668)	(2,066,677)
<b>Total other financing sources (uses)</b>	<b>(520,847)</b>	<b>92,253</b>	<b>653,295</b>	<b>21,474</b>	<b>246,175</b>
Net Change in Fund Balances	(47,102)	28,235	498,656	(127,414)	352,375
Fund Balances - Beginning of Year	3,418,624	7,583	115,111	152,940	3,694,258
<b>Fund Balances - End of Year</b>	<b>\$ 3,371,522</b>	<b>\$ 35,818</b>	<b>\$ 613,767</b>	<b>\$ 25,526</b>	<b>\$ 4,046,633</b>

Simpson County School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities

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Year Ended June 30,	2013
Total Net Change in Fund Balances - Governmental Funds	\$ 352,375
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,670,682) exceeds capital outlays (\$524,039) in the period.	(1,146,643)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(63,156)
Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,425,301
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. Correspondingly, the transfer to an escrow agent for the partial refunding of bonds is shown as an other financing use in the governmental funds, but the transfer reduces long-term liabilities in the statement of net position. The net of these other financing sources and uses is shown here for the period.	(240,708)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(238,814)
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 88,355</b>

See accompanying notes to the financial statements.

Simpson County School District  
Statement of Net Position  
Proprietary Funds

June 30, 2013	Enterprise Fund Food Service	Enterprise Fund Day Care	Total
<b>Assets</b>			
Current assets			
Cash	\$ 281,861	\$ 68,218	\$ 350,079
Accounts receivable			
Accounts	4,574	-	4,574
Intergovernmental	113,513	1,179	114,692
Inventory	28,837	-	28,837
<b>Total current assets</b>	<b>428,785</b>	<b>69,397</b>	<b>498,182</b>
Noncurrent assets			
Fixed assets - net	230,047	-	230,047
<b>Total assets</b>	<b>658,832</b>	<b>69,397</b>	<b>728,229</b>
<b>Liabilities</b>			
Accounts payable	4,209	-	4,209
<b>Total current liabilities</b>	<b>4,209</b>	<b>-</b>	<b>4,209</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	230,047	-	230,047
Unrestricted	424,576	69,397	493,973
<b>Total Net Position</b>	<b>\$ 654,623</b>	<b>\$ 69,397</b>	<b>\$ 724,020</b>

See accompanying notes to the financial statements.

**Simpson County School District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**

<b>Year Ended June 30, 2013</b>	<b>Enterprise Fund Food Service</b>	<b>Enterprise Fund Day Care</b>	<b>Total</b>
Operating revenues			
Lunchroom sales	\$ 426,582	\$ -	\$ 426,582
Tuition and fees	-	222,012	222,012
Total operating revenues	426,582	222,012	648,594
Operating expenses			
Salaries and wages	740,526	216,074	956,600
Contract services	134,265	8,356	142,621
Materials and supplies	723,247	31,868	755,115
Other operating expenses	3,716	8,250	11,966
Depreciation expense	46,651	-	46,651
Total operating expenses	1,648,405	264,548	1,912,953
Operating loss	(1,221,823)	(42,536)	(1,264,359)
Non-operating revenues (expenses)			
State operating grants	121,815	43,881	165,696
Federal operating grants	1,098,467	-	1,098,467
Donated commodities	95,740	-	95,740
Interest revenue	3,519	-	3,519
Gain on disposal of assets	3,524	-	3,524
Other	(4,992)	-	(4,992)
Total non-operating revenues (expenses)	1,318,073	43,881	1,361,954
Change in Net Position	96,250	1,345	97,595
Net Position - Beginning of Year	558,373	68,052	626,425
<b>Net Position - End of Year</b>	<b>\$ 654,623</b>	<b>\$ 69,397</b>	<b>\$ 724,020</b>

See accompanying notes to the financial statements.

Simpson County School District  
Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2013	Enterprise Fund Food Service	Enterprise Fund Day Care	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from user charges	\$ 338,854	\$ 220,833	\$ 559,687
Cash payments to employees for services	(634,607)	(184,803)	(819,410)
Cash payments for contract services	(134,265)	(8,356)	(142,621)
Cash payments to suppliers for goods and services	(672,136)	(32,545)	(704,681)
Cash payments for other operating expenses	(3,716)	(8,250)	(11,966)
Net cash used in operating activities	(1,105,870)	(13,121)	(1,118,991)
<b>Cash Flows from Non-capital Financing Activities</b>			
Nonoperating grants received	1,114,363	12,610	1,126,973
Other	(4,992)	-	(4,992)
Net cash provided by non-capital financing activities	1,109,371	12,610	1,121,981
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(42,704)	-	(42,704)
Proceeds of capital assets	4,901	-	4,901
Payments on long term obligation	(13,904)	-	(13,904)
Net cash used in capital and related financing activities	(51,707)	-	(51,707)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	3,519	-	3,519
Net cash provided by investing activities	3,519	-	3,519
Net Decrease in Cash	(44,687)	(511)	(45,198)
Cash - Beginning of Year	326,548	68,729	395,277
<b>Cash - End of Year</b>	<b>\$ 281,861</b>	<b>\$ 68,218</b>	<b>\$ 350,079</b>

<b>Year Ended June 30, 2013</b>	<b>Enterprise Fund Food Service</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating loss	\$ (1,221,823)	\$ (42,536)	\$ (1,264,359)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	46,651	-	46,651
Commodities used	95,740	-	95,740
On-behalf payments received	105,919	31,271	137,190
Changes in assets and liabilities:			
Receivables	(87,728)	(1,179)	(88,907)
Inventories	(3,555)	-	(3,555)
Accounts payable	(41,074)	(677)	(41,751)
<b>Net Cash Used In Operating Activities</b>	<b>\$ (1,105,870)</b>	<b>\$ (13,121)</b>	<b>\$ (1,118,991)</b>

#### **Noncash Activities**

- The food service fund received \$ 95,740 of donated commodities from the federal government.
- The District received on-behalf payments of \$ 137,190 relating to insurance benefits.

See accompanying notes to the financial statements.

Simpson County School District  
Statement of Assets and Liabilities  
Fiduciary Funds

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June 30, 2013	Agency Funds
<b>Assets</b>	
Cash	\$ 155,185
Accounts receivable	933
<b>Total Assets</b>	<b>\$ 156,118</b>
 <b>Liabilities</b>	
Accounts payable	\$ 479
Due to student groups	155,639
<b>Total Liabilities</b>	<b>\$ 156,118</b>

See accompanying notes to the financial statements.

**Note 1: Summary of Significant Accounting Policies**

• ***Reporting Entity***

The Simpson County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Simpson County School District (the "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*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Simpson County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for the funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

**Simpson County School District Finance Corporation** — The Simpson County Board of Education resolved to authorize the establishment of the Simpson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

agency of the Board for financing the costs of school building facilities. The Board members of the Simpson County Board of Education also comprise the Corporation's Board of Directors.

• ***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

reporting funds by type. 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.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

▶ **Governmental Fund Types**

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

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. This is a major fund of the District.

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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 and certain operating costs.

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

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

**► Proprietary Fund Types**

*Enterprise Funds*

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

The *Day Care Fund* is used to account for day care services offered to the general public.

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

▶ **Fiduciary Fund Types** (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

*Agency Funds*

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. The student funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

● **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.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

● **Estimates**

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

● **Inventory**

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

● **Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

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

Description	Estimated Lives
Buildings and improvements	25–50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5–10 years
Audio-visual equipment	15 years
Food service equipment	10–12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

● **Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

● **Compensated Absences**

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

• ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

• ***Net Position***

The District classifies its net position into the following three categories:

*Invested in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

• ***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

• ***Revenues — Exchange and Non-Exchange Transactions***

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from non-exchange transactions must also be available before they can be recognized.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

• ***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 non-operating revenues/expenses in proprietary funds.

• ***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.

• ***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.

• ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 6, 2013, which was the date the financial statements were made available.

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

• ***New Accounting Pronouncements***

**Recently Issued and Adopted Accounting Pronouncements**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position."

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The District has early implemented the new requirements of this statement for the fiscal year ended June 30, 2013. The

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of the adoption of GASB 65 is the reduction of beginning net position by \$97,301.

**Recently Issued Accounting Pronouncements**

GASB Statement No. 66, *Technical Corrections—2012: an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**Note 2: Cash**

• *Deposits*

At June 30, 2013, the carrying amounts of the District's cash in deposits were \$4,005,540 and the bank balances were \$6,356,641 , which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

**Note 2: Cash (Continued)**

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

<b>June 30,</b>	<b>2013</b>
Governmental funds	\$ 3,500,276
Proprietary funds	350,079
Fiduciary funds	155,185
	<b>\$ 4,005,540</b>

▶ *Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$6,356,641 was not exposed to custodial credit risk as of June 30, 2013.

**Note 3: Interfund Receivables and Payables**

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

<b>June 30, 2013</b>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Special Revenue Fund	\$ 477,187

The amount represents a loan between the general fund and special revenue fund that is necessary to fulfill the current cash requirements of the special revenue fund.

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 4: Capital Assets**

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

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 606,981	\$ -	\$ -	\$ 606,981
Construction in progress	-	154,675	-	154,675
Total non-depreciable historical cost	606,981	154,675	-	761,656
Capital assets that are depreciated:				
Land improvements	1,540,447	-	-	1,540,447
Buildings and improvements	40,480,997	-	-	40,480,997
Technology Equipment	2,371,290	87,063	470,151	1,988,202
Vehicles	2,611,234	174,059	257,776	2,527,517
General	1,616,393	108,242	102,481	1,622,154
Total depreciable historical cost	48,620,361	369,364	830,408	48,159,317
Less accumulated depreciation for:				
Land improvements	1,354,787	96,561	-	1,451,348
Buildings and improvements	11,856,790	1,011,078	-	12,867,868
Technology Equipment	1,557,352	305,492	411,952	1,450,892
Vehicles	1,546,828	182,458	257,776	1,471,510
General	1,258,925	75,093	97,524	1,236,494
Total accumulated depreciation	17,574,682	1,670,682	767,252	18,478,112
Total depreciable historical cost, net	31,045,679	(1,301,318)	63,156	29,681,205
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 31,652,660</b>	<b>\$ (1,146,643)</b>	<b>\$ 63,156</b>	<b>\$ 30,442,861</b>

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 4: Capital Assets (Continued)**

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets that are depreciated:				
Technology Equipment	\$ 59,321	\$ -	\$ 805	\$ 58,516
General	584,221	42,704	81,296	545,629
Total depreciable historical cost	643,542	42,704	82,101	604,145
Less accumulated depreciation for:				
Technology Equipment	38,469	10,286	805	47,950
General	369,702	36,365	79,919	326,148
Total accumulated depreciation	408,171	46,651	80,724	374,098
Total depreciable historical cost, net	235,371	(3,947)	1,377	230,047
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 235,371</b>	<b>\$ (3,947)</b>	<b>\$ 1,377</b>	<b>\$ 230,047</b>

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	2013
Instruction	\$ 1,232,217
Support services:	
Student	2,619
Instructional staff	7,730
District administration	20,466
School administration	3,380
Business	2,859
Plant Operations	220,247
Student transportation	181,164
<b>Total Depreciation Expense</b>	<b>\$ 1,670,682</b>

**Note 5: Long-Term Obligations**

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

Issue Date	Proceeds	Rates
2001 KISTA	\$ 167,556	3.50%—4.70%
2002 Bond	2,180,000	1.75%—3.90%
2003 KISTA	187,629	2.00%—3.90%
2005 Bond	2,860,000	2.50%—4.25%
2005 KISTA	259,484	3.00%—3.625%
2006 Bond	5,880,000	4.10%
2006 KISTA	138,680	3.30%—4.00%
2006 KISTA 2 <sup>nd</sup> Series	152,157	3.50%—3.875%
2007 Bond	2,150,000	3.50%—3.80%
2007-2 Bond	400,000	3.25%—4.00%
2008 KISTA	142,865	3.00%—3.75%
2009 KISTA	176,195	2.00%—3.90%
2009 KISTA 3 <sup>rd</sup> Series	159,066	2.00%—3.60%
2010 Bond	4,800,000	3.25%—6.25%
2010 KISTA	83,379	1.00%—3.30%
2011 KISTA	84,575	1.00%—3.60%
2012 KISTA	366,484	2.00%—2.625%
2012 Bonds	7,450,000	1.00%—2.25%
2013 KISTA	179,162	2.00%

On October 1, 2012, the District issued \$7,450,000 in General Obligation Bonds with an average interest rate of 1.82% to advance refund \$6,755,000 of outstanding 2005 Series bonds with an average interest rate of 3.97%. The net proceeds of \$7,458,145 (after payment of \$56,800 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2005 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$753,115. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2025 using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 5: Long-Term Obligations** *(Continued)*

the next 13 years by \$549,556 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$496,202.

On March 7, 2013, the District issued \$179,162 in KISTA Bonds with interest rates of 2%. The District used the bonds to purchase 2 buses maturing March 1, 2023.

The District, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Simpson County 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 has 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, 2013 for debt service (principal and interest) are as follow:

Year	Simpson County School District		School Facility Construction Committee		Build America Bonds	Total Debt Service
	Principal	Interest	Principal	Interest	Interest	
2013—2014	\$ 1,091,380	\$ 424,760	\$ 298,067	\$ 206,067	\$ 92,569	\$ 2,112,843
2014—2015	1,109,852	391,625	309,205	194,380	91,631	2,096,693
2015—2016	1,100,925	356,616	325,786	182,161	90,692	2,056,180
2016—2017	1,105,954	337,434	338,160	169,058	89,543	2,040,149
2017—2018	1,107,445	316,373	351,351	155,136	88,172	2,018,477
2018—2019	1,113,434	295,180	365,093	140,639	86,717	2,001,063
2019—2020	1,118,244	272,027	379,453	125,498	85,220	1,980,442
2020—2021	893,530	245,415	296,332	109,756	83,724	1,628,757
2021—2022	901,313	226,346	313,379	96,821	82,045	1,619,904
2022—2023	885,039	205,504	326,168	83,059	80,134	1,579,904

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 5: Long-Term Obligations (Continued)**

Year	Simpson County School District		School Facility Construction Committee		U.S. Treasury Build America Bonds	Total Debt Service
	Principal	Interest	Principal	Interest	Interest	
2023—2024	890,467	185,117	339,533	68,706	78,174	1,561,997
2024—2025	911,500	163,460	353,500	53,738	76,165	1,558,363
2025—2026	806,857	128,907	368,143	38,095	69,702	1,411,704
2026—2027	834,640	98,036	310,360	23,207	58,459	1,324,702
2027—2028	520,915	72,771	84,085	14,002	46,508	738,281
2028—2029	536,909	53,328	68,091	9,594	33,881	701,803
2029—2030	557,606	33,046	72,394	5,291	20,643	688,980
2030—2031	585,806	11,361	49,194	1,537	6,945	654,843
	<b>\$ 16,071,816</b>	<b>\$ 3,817,306</b>	<b>\$ 4,948,294</b>	<b>\$ 1,676,745</b>	<b>\$ 1,260,924</b>	<b>\$ 27,775,085</b>

Changes in long-term obligations are as follows:

June 30, 2013	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Bonds	\$ 21,489,472	\$ 7,629,162	\$ (8,098,524)	\$ 21,020,110	\$ 1,389,447
Less discounts and premiums	(244,682)	2,678	128,200	(113,804)	-
Total bonds and notes payable	21,244,790	7,631,840	(7,970,324)	20,906,306	1,389,447
Other liabilities:					
Compensated absences	527,922	105,374	(61,154)	572,142	132,706
Other	81,777	-	(81,777)	-	-
Total other liabilities	609,699	105,374	(142,931)	572,142	132,706
<b>Total Long-Term Liabilities</b>	<b>\$ 21,854,489</b>	<b>\$ 7,737,214</b>	<b>\$ (8,113,255)</b>	<b>\$ 21,478,448</b>	<b>\$ 1,522,153</b>

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 5: Long-Term Obligations** *(Continued)*

June 30, 2013	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Business-Type Activities:					
Other liabilities:					
Other	\$ 13,904	\$ -	\$ (13,904)	\$ -	\$ -
<b>Total Long-Term Liabilities</b>	<b>\$ 13,904</b>	<b>\$ -</b>	<b>\$ (13,904)</b>	<b>\$ -</b>	<b>\$ -</b>

**Note 6: Fund Balances**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Nonspendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2013, the District had \$452 in nonspendable fund balance for prepaids.

*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, 2013, the District had \$35,818 restricted in the special revenue fund for local grants and \$613,767 restricted in the construction fund for capital projects and \$25,526 restricted in the nonmajor funds (\$25,520 restricted for current SFCC offer and \$6 for debt service) and \$91,807 restricted for compensated absences balances in the general 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 establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2013: \$596,917 for future construction and \$859,343 for a minimum fund balance policy.

**Note 6: Fund Balances** *(Continued)*

*Assigned fund balances* are 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. The amount assigned related to encumbrances at June 30, 2013 was \$0. Assigned fund balances also include (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 related to site based carryforward at June 30, 2013 was \$76,640.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013 in the governmental funds balance sheet.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 20, 2013, the Board committed \$859,343 of funds to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

**Note 7: Pension Plans**

• ***Plan Descriptions***

The Simpson County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS). The CERS is a cost-sharing multiple-employer defined benefit plan.

**Note 7: Pension Plans** *(Continued)*

KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS 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 KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

• **Funding Policy**

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% of their covered salary (6.0% for new hires effective July 1, 2008). The District is required to contribute to the CERS and KTRS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% for the Commonwealth and 1.000% for the District of annual covered payroll. The rate for CERS is 19.55%, 18.96% and 16.93% for the years ended June 30, 2013, 2012 and 2011, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$ 731,658 , \$ 721,636 and \$ 597,222 respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$ 1,505,614 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$ 215,435 .

• **Medical Insurance Plan**

*Plan Description* — In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**Note 7: Pension Plans** *(Continued)*

To be eligible for medical benefits, the member must have retired for service or disability. The KTRS 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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding Policy* — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2012–2013 fiscal year.

• ***Deferred Compensation***

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement 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 the financial statements.

**Note 8: 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 the grantor's review indicates that the funds have not 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'

**Note 8: Contingencies** *(Continued)*

satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**Note 9: Risk Management**

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

In prior years, to obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Fund (KSBIT). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District paid an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

KSBIT is now working under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a large deficit fund balance. KSBIT has submitted a proposal to the DOI for a novation rather than a runoff. A novation will transfer all existing KSBIT claims to a highly rated reinsurer which will continue to make claim payments. The novation will shift the future risk to the reinsurer instead of leaving it on the members as would occur in a runoff. This plan is not yet approved by the DOI and will not go into effect nor will it result in any assessment to members until approved. The proposal will affect both current members and prior members.

The novation proposal sent to the DOI would result in a general liability assessment of \$30,867 and a workers' compensation liability of \$189,710 to the district. This amount may be paid as a onetime lump sum or spread over several periods. Even though the district does not currently participate in these KSBIT funds, the District will be liable for the assessment based on claims and losses previously filed on the District's behalf. The District believes it is probable an assessment will occur and that the estimate provided is reasonable. The District has recorded these assessments on the

**Note 9: Risk Management** *(Continued)*

government-wide financial statements in accordance with the economic measurement focus. The amount of the assessment recorded as of June 30, 2013 was \$220,577. A liability is not shown on the governmental fund financial statement in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* and GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as governmental funds follow the current financial resources measurement focus (modified accrual basis of accounting).

**Note 10: 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 financial statements as a result of the cases presently in progress.

**Note 11: Excess Expenditures over Appropriations**

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

<b>Year ended June 30, 2013</b>	
<b>Fund</b>	<b>Amount</b>
General	\$ 47,102
SEEK	84,815
FSPK	42,605

Simpson County School District  
Notes to the Financial Statements (Continued)

**Note 12: Fund Transfers**

Fund transfers for the year ended June 30, 2013 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 42,873
Operating	General	Special Revenue	Fund Expenditures	49,380
Operating	FSPK	Debt Service	Debt Service	955,736
Operating	Capital Outlay	Debt Service	Debt Service	160,721
Operating	General	Debt Service	Debt Service	204,672
Operating	General	Construction	Construction	403,084
Operating	Capital Outlay	Construction	Construction	192,040
Operating	FSPK	Construction	Construction	58,171

**Note 13: On-behalf Payments**

The District receives on-behalf payments from the State of Kentucky and the United States Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2013, was \$5,231,419 . These payments were recorded as follows:

Year ended June 30, 2013	
Fund	Amount
General Fund	\$ 4,470,781
Food Service Fund	105,919
Debt Service Fund	623,448
Day Care Fund	31,271
<b>Total</b>	<b>\$ 5,231,419</b>

**Note 14: Subsequent Events**

On July 1, 2013, the District issued \$1,735,000 in 2013 School Building Revenue Bonds to fund the Fine Arts Center (band and chorus rooms) and football stadium repairs.

# Required Supplementary Information

Simpson County School District  
Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2013	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Local and intermediate sources	\$ 7,194,255	\$ 7,194,255	\$ 7,114,533	\$ (79,722)
State programs	10,596,508	10,596,508	10,605,595	9,087
Federal programs	40,000	40,000	127,878	87,878
Total revenues	17,830,763	17,830,763	17,848,006	17,243
Expenditures				
Current:				
Instruction	10,375,005	10,375,005	10,126,954	248,051
Support services:				
Student	804,342	804,342	798,595	5,747
Instructional staff	695,378	695,378	689,874	5,504
District administration	507,897	507,897	464,694	43,203
School administration	1,166,719	1,166,719	1,171,927	(5,208)
Business	458,174	458,174	448,348	9,826
Plant operations and maintenance	2,311,660	2,311,660	2,261,043	50,617
Student transportation	1,114,423	1,114,423	1,203,441	(89,018)
Debt service:				
Principal	209,385	209,385	209,385	-
Contingency	1,323,450	1,323,450	-	1,323,450
Total expenditures	18,966,433	18,966,433	17,374,261	1,592,172

Excess (Deficiency) of Revenues over Expenditures	(1,135,670)	(1,135,670)	473,745	1,609,415
Other Financing Sources (Uses)				
Bond proceeds-net of discount	-	-	179,162	179,162
Operating transfers-net	(307,251)	(710,334)	(700,009)	10,325
Total other financing sources (uses)	(307,251)	(710,334)	(520,847)	189,487
Net Change in Fund Balance	(1,442,921)	(1,846,004)	(47,102)	1,798,902
Fund Balance - Beginning of Year	1,442,921	1,846,004	3,418,624	1,572,620
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,371,522</b>	<b>\$ 3,371,522</b>

**Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

Inflows/revenues:

Actual amounts (budgetary basis)	\$ 17,848,006
Differences - budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	4,470,781

**Total Revenues and sources as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds** **\$ 22,318,787**

Outflows/expenditures:

Actual amounts (budgetary basis)	\$ 17,374,261
Differences - budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	4,470,781

**Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds** **\$ 21,845,042**

Simpson County School District  
Budgetary Comparison Schedule for the Special Revenue Fund

For the Year Ended June 30, 2013	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ 33,203	\$ 87,680	\$ 105,149	\$ 17,469
State programs	853,083	1,011,514	1,233,806	222,292
Federal programs	2,033,963	2,006,878	1,946,730	(60,148)
Total revenues	2,920,249	3,106,072	3,285,685	179,613
Expenditures				
Current:				
Instruction	2,566,625	2,737,511	2,819,751	(82,240)
Support services:				
Student	48,184	47,887	41,049	6,838
Instructional staff	49,481	49,289	93,781	(44,492)
School administration	18,051	18,051	39,111	(21,060)
Business	30,075	30,075	25,918	4,157
Plant operations and maintenance	11,635	11,635	28,502	(16,867)
Student transportation	28,643	28,643	28,370	273
Other	260,303	275,729	273,221	2,508
Total expenditures	3,012,997	3,198,820	3,349,703	(150,883)
Excess (Deficiency) of Revenues over Expenditures	(92,748)	(92,748)	(64,018)	28,730

Other Financing Sources (Uses)				
Operating transfers	92,748	92,748	92,253	(495)
Total other financing sources (uses)	92,748	92,748	92,253	(495)
Net Change in Fund Balance	-	-	28,235	28,235
Fund Balance - Beginning of Year	-	-	7,583	7,583
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,818</b>	<b>\$ 35,818</b>

# Supplementary Information

Simpson County School District  
 Combining Balance Sheet  
 NonMajor Governmental Funds

June 30, 2013	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>				
Cash	\$ 575	\$ 24,945	\$ 6	\$ 25,526
<b>Total Assets</b>	<b>\$ 575</b>	<b>\$ 24,945</b>	<b>\$ 6</b>	<b>\$ 25,526</b>
<b>Fund Balances</b>				
Fund Balances				
Restricted-SFCC-Current	575	24,945	-	25,520
Restricted -Debt Service	-	-	6	6
Total fund balances	575	24,945	6	25,526
<b>Total Fund Balances</b>	<b>\$ 575</b>	<b>\$ 24,945</b>	<b>\$ 6</b>	<b>\$ 25,526</b>

Simpson County School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
NonMajor Governmental Funds

Year Ended June 30, 2013	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ 623,056	\$ -	\$ 623,056
Earnings on investments	-	-	57	57
Intergovernmental - state	267,946	348,246	529,970	1,146,162
Intergovernmental - federal	-	-	93,478	93,478
<b>Total revenues</b>	<b>267,946</b>	<b>971,302</b>	<b>623,505</b>	<b>1,862,753</b>
Expenditures				
Debt service:				
Principal	-	-	1,165,000	1,165,000
Interest	-	-	789,841	789,841
Bond issuance costs	-	-	56,800	56,800
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>2,011,641</b>	<b>2,011,641</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>267,946</b>	<b>971,302</b>	<b>(1,388,136)</b>	<b>(148,888)</b>
Other financing sources (uses)				
Proceeds of advance refunded bonds	-	-	7,458,145	7,458,145
Payment to advance refunded bond escrow agent	-	-	(7,391,132)	(7,391,132)
Operating transfers - in	-	-	1,321,129	1,321,129
Operating transfers - out	(352,761)	(1,013,907)	-	(1,366,668)
<b>Total other financing sources (uses)</b>	<b>(352,761)</b>	<b>(1,013,907)</b>	<b>1,388,142</b>	<b>21,474</b>
<b>Net Change in Fund Balances</b>	<b>(84,815)</b>	<b>(42,605)</b>	<b>6</b>	<b>(127,414)</b>
<b>Fund Balances - Beginning of Year</b>	<b>85,390</b>	<b>67,550</b>	<b>-</b>	<b>152,940</b>
<b>Fund Balances - End of Year</b>	<b>\$ 575</b>	<b>\$ 24,945</b>	<b>\$ 6</b>	<b>\$ 25,526</b>

Simpson County School District  
Combining Statement of Assets and Liabilities  
All Activity Funds  
All Schools

<b>Year Ended June 30, 2013</b>	<b>Cash</b>			<b>Cash</b>			<b>Accounts</b>		<b>Accounts</b>		<b>Due to Student</b>
	<b>July 1, 2012</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2013</b>	<b>Receivable</b>	<b>Payable</b>	<b>Payable</b>	<b>Groups</b>	<b>June 30, 2013</b>		
Franklin-Simpson High School	\$ 35,466	\$ 396,113	\$ 400,595	\$ 30,984	\$ 894	\$ 283			\$ 31,595		
Franklin-Simpson Middle School	35,308	122,726	125,240	32,794	39	196			32,637		
Lincoln Elementary School	57,024	47,521	44,073	60,472	-	-			60,472		
Simpson Elementary School	7,394	52,273	42,209	17,458	-	-			17,458		
Franklin Elementary School	9,079	12,733	8,335	13,477	-	-			13,477		
<b>Total</b>	<b>\$ 144,271</b>	<b>\$ 631,366</b>	<b>\$ 620,452</b>	<b>\$ 155,185</b>	<b>\$ 933</b>	<b>\$ 479</b>			<b>\$ 155,639</b>		

Simpson County School District  
Statement of Assets and Liabilities  
School Activity Funds  
Franklin-Simpson High School

Year Ended June 30, 2013	Cash			Cash			Accounts	Accounts	Due to Student
	July 1, 2012	Receipts	Disbursements	June 30, 2013	Receivable	Payable	June 30, 2013		
General Fund	\$ 615	\$ 4,460	\$ 5,019	\$ 56	\$ -	\$ -	\$ 56		
Ap Testing	-	24,740	23,330	1,410	-	-	1,410		
Attendance Rewards	173	-	173	-	-	-	-		
Banner/Posters	76	3,560	3,542	94	-	-	94		
Teachers Vending	519	3,640	4,091	68	82	-	150		
Trip Fund	78	3,555	3,633	-	-	-	-		
Fundraising	78	35	113	-	-	-	-		
Homecoming committee	14	250	250	14	-	-	14		
The HUB Store	-	1,590	-	1,590	-	-	1,590		
Lollipop Shop	295	186	353	128	-	-	128		
Magazine Sales	-	-	-	-	-	-	-		
Parking Tags	472	5,192	4,426	1,238	-	-	1,238		
PBS Rewards	8	7	15	-	-	-	-		
Project Graduation	1	805	806	-	-	-	-		
Prom	2,791	5,540	5,976	2,355	165	-	2,520		
Senior Trip	-	5,588	5,588	-	-	-	-		
Student Council	1,438	2,065	2,891	612	-	26	586		
Student Fees	195	22,987	20,977	2,205	-	84	2,121		
Student Vending	-	9,342	8,106	1,236	394	-	1,630		
Summer School	900	775	40	1,635	-	-	1,635		
Tech Rentals	-	2,366	1,990	376	-	-	376		
Textbook Rental	487	-	403	84	-	-	84		
Wildcat Cards	443	-	443	-	-	-	-		
Yearbook	3,354	28,253	27,319	4,288	-	-	4,288		
Youth Services	400	934	1,186	148	-	-	148		
Academic Team	-	1,200	1,200	-	-	-	-		
Band	588	7,857	7,442	1,003	-	-	1,003		
Beta	1,215	1,275	594	1,896	-	-	1,896		
Chorus	2,695	18,158	20,064	789	-	-	789		

Deca	-	6,279	6,279	-	-	-	-
Diversity	357	135	20	472	-	-	472
Drama	1,109	-	-	1,109	-	-	1,109
Fashion Design	74	402	259	217	-	-	217
FAP	-	180	70	110	-	-	110
FBLA	161	12,422	12,232	351	-	-	351
FCA	165	130	-	295	-	-	295
FCCLA	-	299	-	299	-	-	299
FFA	-	35,916	35,881	35	-	-	35
FFA Travel	-	1,450	1,450	-	-	-	-
FFA Banquet	-	5,606	5,606	-	-	-	-
Hosa	274	2,770	2,770	274	-	-	274
International Club	20	1,253	1,247	26	-	-	26
Mu Alpha Theta	399	-	55	344	-	-	344
Renaissance	712	-	712	-	-	-	-
STLP	-	853	479	374	-	-	374
Skills USA	16	1,396	1,412	-	-	-	-
Athletics	19	92,970	92,798	191	253	173	271
Athletics - Play offs only	-	30,351	30,351	-	-	-	-
Class of 2012	15	-	15	-	-	-	-
Class of 2013	213	535	748	-	-	-	-
Class of 2014	47	1,044	1,091	-	-	-	-
Class of 2015	198	862	931	129	-	-	129
Class of 2016	-	823	699	124	-	-	124
Hendrick Class Fee	47	108	149	6	-	-	6
Agriproduce	44	-	-	44	-	-	44
ART	212	2,137	2,349	-	-	-	-
Consumer Science	-	7,930	7,891	39	-	-	39
Fields Class Business	202	11	40	173	-	-	173
Floral Design	1,232	60	1,070	222	-	-	222
Horticulture	6,552	9,373	13,564	2,361	-	-	2,361
Journalism	389	1,475	950	914	-	-	914
Masonry Department	100	158	205	53	-	-	53
Video Production	1,655	2,868	4,049	474	-	-	474

Simpson County School District  
Statement of Assets and Liabilities (Continued)  
School Activity Funds  
Franklin-Simpson High School

Year Ended June 30, 2013	Cash July 1, 2012	Receipts	Disbursements	Cash June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2013
Welding	3,939	8,359	12,207	91	-	-	91
Advance KY	87	6,073	5,607	553	-	-	553
Mckinney Fund	100	-	100	-	-	-	-
Read 180	-	5,000	5,000	-	-	-	-
Jerry James Memorial	-	25	25	-	-	-	-
PE Dept Grant	-	2,500	2,021	479	-	-	479
Math Grant	293	-	293	-	-	-	-
<b>Total</b>	<b>\$ 35,466</b>	<b>\$ 396,113</b>	<b>\$ 400,595</b>	<b>\$ 30,984</b>	<b>\$ 894</b>	<b>\$ 283</b>	<b>\$ 31,595</b>

Simpson County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Food Distribution Program-non cash	10.555	-	\$ 95,740
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 13	272,887
National School Lunch Program	10.555	7750002 13	756,604
National School Summer Meals Program	10.559	7740023 12	68,976
Total U.S. Department of Agriculture			1,194,207
U.S. Department of Education			
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I to Local Educational Agencies - 2013	84.010	3100002 12	485,510
Title I to Local Educational Agencies - 2012	84.010	3100002 11	92,743
Title I, School Improvement Funds - 2013	84.010	3100202 12	43,633
Title I, School Improvement Funds - 2012	84.010	3100202 11	10,123
Subtotal			632,009
Special Education Cluster			
Special Education - 2013	84.027	3810002 12	525,555
Special Education - 2012	84.027	3810002 11	41,482
Special Education - Preschool - 2013	84.173	3800002 12	12,908
Special Education - Preschool - 2012	84.173	3800002 11	37,739
Early Childhood - RTC-2013	84.173	3800003 12	397,574
Early Childhood - RTC-2012	84.173	3800003 11	44,378
Subtotal			1,059,636
Limited English Proficiency - Title III - 2013	84.365	3300002 12	18,453
Limited English Proficiency - Title III - 2012	84.365	3300002 11	10,928
Limited English Proficiency - Title III - 2011	84.365	3300002 10	958
Subtotal			30,339
Vocational Education - 2013	84.048	4621232 12	30,583
Title VI - Rural & Low Income	84.358	3140002 12	54,820
Race to the Top	84.413	3960002 11	17,280

**Year Ended June 30, 2013**

<b>Federal Grantor Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Improving Teacher Quality - 2013	84.367	3230002 12	107,248
Improving Teacher Quality - 2012	84.367	3230002 11	<u>10,982</u>
Subtotal			118,230
Education Jobs Fund-2011	84.410A	EJOB00 10	4,150
Passed-Through State Workforce Cabinet:			
Adult Education - Federal Basic - 2012	84.002	3732	(244)
Adult Education - Development - 2011	84.002	3651	<u>(73)</u>
Subtotal			(317)
Total U.S. Department of Education			1,946,730
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,140,937</b>

See accompanying notes to the schedule of federal awards.

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Simpson County School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Non-monetary assistance is reported in the schedule of fair value of the goods received.

**Note 3: Subrecipients**

There were no subrecipients during the fiscal year.

Simpson County School District  
Summary Schedule of Prior Year Audit Findings

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None



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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined 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 Simpson County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements and have issued our report thereon dated November 6, 2013.

● **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

- **Compliance and Other Matters**

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

- **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 6, 2013

## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

### ● Report on Compliance for Each Major Federal Program

We have audited Simpson County School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ● Management's Responsibility

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

### ● Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

- **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

- **Report on Internal Control over Compliance**

Management of the 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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

**Section I — Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: unqualified

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

Simpson County School District  
Schedule of Findings and Questioned Costs (Continued)

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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 / 84.173	Special Education IDEA, Preschool and RTC Cluster

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

Auditee qualified as low-risk auditee?            Yes    No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings and Questioned Costs**

None reported.



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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Simpson County School District  
Franklin, Kentucky

In planning and performing our audit of the financial statements of Simpson County School District (the "District") for the year ended June 30, 2013, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 6, 2013 contains our report on the District's internal control. This letter does not affect our report dated November 6, 2013 on the financial statements of the District.

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 6, 2013

**Prior Year Comments  
Uncorrected**

● **Franklin Simpson High School**

- ▶ During our procedures over disbursements, we noted 5 out of a sample of 34 receipts of merchandise were not being documented on a consistent basis. We recommend that receipts of merchandise be documented.
- ▶ During our procedures over ticket sales, we noted ticket sales are not conducted in accordance with the red book. Ticket sellers and takers are not being segregated and ticket sale forms are not being signed by proper personnel. We recommend the high school perform ticket sales in accordance with the school regulations and that all forms be fully completed.
- ▶ In our procedures over disbursements, we noted 7 out of a sample of 34 invoices were not marked paid. We recommend all invoices be marked as paid to prevent duplication of payment and to be in accordance with the red book.

**Current Year Comments**

● **Franklin Simpson High School**

- ▶ During our procedures over disbursements, we noted 5 out of a sample of 34 invoices were missing from the purchase order. We recommend all disbursements have proper documentation and be attached to each purchase order.

● **Simpson Elementary School**

- ▶ During our procedures over disbursements, we noted one extra charge was paid that did not match the five invoices we reviewed. If the invoice amount changes, a new invoice should be obtained. We recommend all disbursements have proper documentation and be attached to each purchase order.

● **Franklin Elementary School**

- ▶ During our procedures over receipts, we noted receipts are not issued for all money received. We recommend that a receipt be issued to the person turning in the money for all money received.

- **Lincoln Elementary School**

- ▶ During our procedures over deposits, we noted 1 receipt out of a sample of 13 was not deposited on a daily basis consistently. We recommend all monies be deposited on a daily basis.
  
- ▶ While reviewing the annual financial report, we noted the Miscellaneous Holding account has several transactions that should be in separate accounts. Separate accounts should be set up for special purposes. The Miscellaneous Holding account should be used on a limited basis.

## Management Letter Responses

### Prior Year Comments

- **Franklin Simpson High School**

- **Response:** In the event a packing slip is not available, the bookkeeper will have the teacher/sponsor sign and date the invoice or other receipt documentation.
- **Response:** The bookkeeper has explained the proper procedures for ticket sales to the current Athletic Director. Football games currently have ticket sellers and ticket takers. The Athletic Director will continue to try and streamline this process at all high school events.
- **Response:** The bookkeeper will continue to be more thorough in reviewing monthly invoices and ensuring that they are all stamped paid.

### Current Year Comments

- **Franklin Simpson High School**

- **Response:** The bookkeeper will properly document all disbursements with invoices and purchase orders.

- **Simpson Elementary School**

- **Response:** The bookkeeper will review all invoices prior to payment to make sure they accurately reflect the amount being paid. If extra services are added, a new invoice will be obtained from the vendor.

- **Franklin Elementary School**

- **Response:** The bookkeeper will issue receipts for all monies received.

- **Lincoln Elementary School**

- **Response:** The bookkeeper will strive to deposit items on a daily basis. In the event monies are received after banking hours, they will be deposited in a locked safe.
- **Response:** The bookkeeper will review the Miscellaneous Holding account and allocate the balances into separate accounts that more accurately reflect the purpose of the funds.