

JENKINS INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014
with
REPORT OF INDEPENDENT AUDITORS**

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Jenkins Independent School District
Jenkins, 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 Jenkins Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Jenkins Independent School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jenkins Independent School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis and budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2014, on our consideration of Jenkins Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jenkins Independent School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 11, 2014

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2014

The management of Jenkins Independent School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2014. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$1,336,531 in 2014 and \$600,170 in 2013. In 2014 and 2013, cash of \$152,587 and \$33,840 respectively, was reserved for capital projects.
- The General Fund had \$4,829,151 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$4,300,923 in General Fund expenditures. Both revenue and expenditures in the General Fund have the On Behalf Payments of \$799,993 included in the totals.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations. The total debt decreased by \$90,000 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents of this report.

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
Year Ended June 30, 2014

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 8 to 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014

Fiscal year 2014 government-wide net position compared to 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 1,437,289	\$ 738,300
Capital assets	2,846,438	2,884,999
Total Assets	<u>\$ 4,283,727</u>	<u>\$ 3,623,299</u>
Current liabilities	\$ 293,562	\$ 207,647
Noncurrent liabilities	2,024,092	1,975,215
Total Liabilities	<u>\$ 2,317,654</u>	<u>\$ 2,182,862</u>
Net investment in capital assets, net of debt	\$ 849,073	\$ 1,154,999
Restricted net position	502,104	373,238
Unrestricted net position	614,896	(87,800)
Total Net Position	<u>\$ 1,966,073</u>	<u>\$ 1,440,437</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$1,798,552; proprietary assets exceeded liabilities by \$167,521 and total assets exceeded liabilities by \$1,966,073 at June 30, 2014.

The District had an overall increase in unrestricted net position of \$702,696, comprised of an increase in business-type activities of \$127,191 and an decrease in governmental activities of \$575,505.

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
Year Ended June 30, 2014

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues and other financing sources		
Local revenue sources	\$ 1,365,864	\$ 929,136
State revenue sources	3,913,679	3,988,660
Federal revenue	<u>464,050</u>	<u>577,302</u>
Total revenue	<u>5,743,593</u>	<u>5,495,098</u>
Expenditures and other financing uses		
Instruction	2,916,044	3,064,375
Student support services	158,668	138,546
Instructional support	140,769	159,623
District administration	415,793	476,674
School administration	308,309	319,317
Business operations	288,870	297,846
Plant operation and maintenance	293,425	348,449
Student transportation	338,342	286,549
Community services	70,783	71,460
Debt service	210,393	209,441
Site improvement	<u>90,557</u>	<u>13,776</u>
Total expenditures	<u>5,231,953</u>	<u>5,386,056</u>
Excess revenues (expenditures)	<u>\$ 511,640</u>	<u>\$ 109,042</u>
Other financing sources (uses)		
Proceeds from capital lease	\$ 92,790	\$ -
Transfers in	350,049	186,630
Transfers out	<u>(350,049)</u>	<u>(186,630)</u>
Total other financing sources (uses)	<u>\$ 92,790</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ 604,430</u>	<u>\$ 109,042</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$100,000 in contingency.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2014, were \$4,829,151 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$506,269, or 11.71%, more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2014 was \$4,300,923.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$276,960 or 6.05% less than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or the Director of Financial Services at 606-832-2183, or by mail at 269 Hwy. 3086, P.O. Box 74, Jenkins, Kentucky 41537.

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,192,694	\$ 143,837	\$ 1,336,531
Accounts receivable:			
Taxes	19,151	-	19,151
Other	6,007	-	6,007
Prepaid expense	32,831	-	32,831
Intergovernmental - Federal	31,700	3,485	35,185
Inventory	-	7,584	7,584
Capital Assets, net			
Nondepreciable	21,193	-	21,193
Depreciable	2,784,915	40,330	2,825,245
Total assets	<u>4,088,491</u>	<u>195,236</u>	<u>4,283,727</u>
LIABILITIES			
Accounts payable	42,106	27,715	69,821
Unearned revenue	19,420	-	19,420
Current portion of KSBIT assessment	43,526	-	43,526
Current portion of capital lease obligations	56,648	-	56,648
Current maturities of bond obligations	90,000	-	90,000
Interest payable	14,147	-	14,147
Noncurrent portion of KSBIT assessment	103,684	-	103,684
Noncurrent portion of capital lease obligations	300,717	-	300,717
Noncurrent maturities of bond obligations	1,550,000	-	1,550,000
Noncurrent portion of accumulated sick leave	69,691	-	69,691
Total liabilities	<u>2,289,939</u>	<u>27,715</u>	<u>2,317,654</u>
NET POSITION			
Net investment in capital assets	808,743	40,330	849,073
Restricted for:			
Capital expenditures	152,587	-	152,587
Other	349,517	-	349,517
Unrestricted	487,705	127,191	614,896
Total net position	<u>1,798,552</u>	<u>167,521</u>	<u>1,966,073</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction	\$ 2,950,843	\$ 5,610	\$ 1,064,238	\$ -	\$ (1,880,995)	\$ -	\$ (1,880,995)
Student	159,011	-	23,933	-	(135,078)	-	(135,078)
Instructional support	140,769	-	89,551	-	(51,218)	-	(51,218)
District administration	417,453	-	48,583	-	(368,870)	-	(368,870)
School administration	308,850	-	56,932	-	(251,918)	-	(251,918)
Business operations	288,870	-	34,588	-	(254,282)	-	(254,282)
Plant operations and maintenance	385,579	-	41,108	-	(344,471)	-	(344,471)
Student transportation	298,799	-	48,103	-	(250,696)	-	(250,696)
Other instructional	-	-	-	-	-	-	-
Community services	71,343	-	70,783	-	(560)	-	(560)
KSBIT assessment	147,210	-	-	-	(147,210)	-	(147,210)
Interest on long-term debt	74,733	-	-	21,902	(52,831)	-	(52,831)
Total governmental activities	5,243,460	5,610	1,477,819	21,902	(3,738,129)	-	(3,738,129)
Business-type activities							
Food service	348,061	10,336	397,191	-	-	59,466	59,466
Total business-type activities	348,061	10,336	397,191	-	-	59,466	59,466
Total primary government	\$ 5,591,521	\$ 15,946	\$ 1,875,010	\$ 21,902	(3,738,129)	59,466	(3,678,663)
			General revenues				
			Taxes:				
			Property		683,046	-	683,046
			Motor vehicle		113,884	-	113,884
			Utility		221,830	-	221,830
			Unmined minerals		108,611	-	108,611
			Other		-	-	-
			Earnings on investments		1,434	-	1,434
			State grants		2,872,398	-	2,872,398
			Other local amounts		237,059	-	237,059
			Total general revenues		4,238,262	-	4,238,262
			Change in net position		500,133	59,466	559,599
			Restated net position beginning of year		1,298,419	108,055	1,406,474
			Net position as of June 30, 2014		\$ 1,798,552	\$ 167,521	\$ 1,966,073

The accompanying notes are an integral part of these financial statements

JENKINS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 703,906	\$ -	\$ 243,837	\$ 184,069	\$ 72,849	\$ 1,204,661
Accounts receivable:						
Taxes	19,151	-	-	-	-	19,151
Other	6,007	-	-	-	-	6,007
Prepaid expense	32,831	-	-	-	-	32,831
Intergovernmental - State	-	-	-	-	-	-
Intergovernmental - Federal	-	31,700	-	-	-	31,700
Total assets	<u>\$ 761,895</u>	<u>\$ 31,700</u>	<u>\$ 243,837</u>	<u>\$ 184,069</u>	<u>\$ 72,849</u>	<u>\$ 1,294,350</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Checks written in excess of account balance	\$ -	\$ 11,967	\$ -	\$ -	\$ -	\$ 11,967
Accounts payable	10,311	313	-	31,482	-	42,106
Unearned revenue	-	19,420	-	-	-	19,420
Total liabilities	<u>10,311</u>	<u>31,700</u>	<u>-</u>	<u>31,482</u>	<u>-</u>	<u>73,493</u>
Fund balances						
Restricted	32,831	-	243,837	152,587	72,849	502,104
Assigned	6,268	-	-	-	-	6,268
Unassigned	712,485	-	-	-	-	712,485
Total fund balances	<u>751,584</u>	<u>-</u>	<u>243,837</u>	<u>152,587</u>	<u>72,849</u>	<u>1,220,857</u>
Total liabilities and fund balances	<u>\$ 761,895</u>	<u>\$ 31,700</u>	<u>\$ 243,837</u>	<u>\$ 184,069</u>	<u>\$ 72,849</u>	<u>\$ 1,294,350</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
Year ended June 30, 2014

Total fund balances - governmental funds	\$ 1,220,857
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	2,806,108
KSBIT assessment payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period but it is presented in the state of net position.	(147,210)
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(1,640,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(357,365)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(69,691)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(14,147)</u>
Total net position - governmental activities	<u>\$ 1,798,552</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2014

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$ 643,329	\$ -	\$ 39,717	\$ -	\$ -	\$ 683,046
Motor vehicle	113,884	-	-	-	-	113,884
Utility	221,830	-	-	-	-	221,830
Unmined minerals	108,611	-	-	-	-	108,611
Earnings on investments	1,434	-	-	-	-	1,434
Other local	229,870	7,189	-	-	-	237,059
Intergovernmental - State	3,504,583	212,197	128,572	-	68,327	3,913,679
Intergovernmental - Federal	5,610	458,440	-	-	-	464,050
Total revenues	4,829,151	677,826	168,289	-	68,327	5,743,593
Expenditures						
Current:						
Instruction	2,398,596	517,448	-	-	-	2,916,044
Student	155,329	3,339	-	-	-	158,668
Instructional support	72,210	68,559	-	-	-	140,769
District administration	415,793	-	-	-	-	415,793
School administration	308,309	-	-	-	-	308,309
Business operations	288,870	-	-	-	-	288,870
Plant operations and maintenance	293,425	-	-	-	-	293,425
Student transportation	313,218	25,124	-	-	-	338,342
Community services	-	70,783	-	-	-	70,783
Building acquisition and improvements	-	-	-	90,557	-	90,557
Debt service	55,173	-	-	-	155,220	210,393
Total expenditures	4,300,923	685,253	-	90,557	155,220	5,231,953
Excess (deficit) of revenues over (under) expenditures	528,228	(7,427)	168,289	(90,557)	(86,893)	511,640
Other financing sources (uses)						
Proceeds from capital lease	92,790	-	-	-	-	92,790
Transfers in	-	7,427	-	209,304	133,318	350,049
Transfers out	(183,561)	-	(133,318)	-	(33,170)	(350,049)
Total other financing sources (uses)	(90,771)	7,427	(133,318)	209,304	100,148	92,790
Net change in fund balance	437,457	-	34,971	118,747	13,255	604,430
Fund balance as of June 30, 2013	314,127	-	208,866	33,840	59,594	616,427
Fund balance as of June 30, 2014	\$ 751,584	\$ -	\$ 243,837	\$ 152,587	\$ 72,849	\$ 1,220,857

JENKINS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2014

Net change in total fund balances - governmental funds	\$ 604,430
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlay for the year.	(905)
KISBIT assessment payable is not reported in the governmental fund financial statements but it is reported in the statement of activities.	(147,210)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	135,486
Debt issuance is recognized as an other source of revenues in the governmental fund financial statements but are an increase in liabilities in the statement of net position.	(92,790)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	174
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize obligations anticipated to be retired from existing financial resources.	<u>948</u>
Change in net position - governmental activities	<u>\$ 500,133</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2014

	Food Service Fund	Total
	<u> </u>	<u> </u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 143,837	\$ 143,837
Accounts receivable	3,485	3,485
Inventory	<u>7,584</u>	<u>7,584</u>
Total current assets	<u>154,906</u>	<u>154,906</u>
Noncurrent assets		
Capital assets	135,255	135,255
Less accumulated depreciation	<u>(94,925)</u>	<u>(94,925)</u>
Total noncurrent assets	<u>40,330</u>	<u>40,330</u>
Total assets	<u>195,236</u>	<u>195,236</u>
LIABILITIES		
Accounts payable	<u>27,715</u>	<u>27,715</u>
Total liabilities	<u>27,715</u>	<u>27,715</u>
NET POSITION		
Net investment in capital assets	40,330	40,330
Restricted for:		
Other	<u>127,191</u>	<u>127,191</u>
Total net position	<u>\$ 167,521</u>	<u>\$ 167,521</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2014

	Food Service Fund	Total
Operating revenues		
Lunchroom sales	\$ 10,210	\$ 10,210
Tuition and fees	126	126
Total operating revenues	<u>10,336</u>	<u>10,336</u>
Operating expenses		
Salaries and wages	102,815	102,815
Employee benefits	67,436	67,436
Materials and supplies	174,116	174,116
Depreciation	3,694	3,694
Total operating expenses	<u>348,061</u>	<u>348,061</u>
Operating loss	<u>(337,725)</u>	<u>(337,725)</u>
Nonoperating revenues		
Federal grants	337,229	337,229
State grants	40,531	40,531
Donated commodities	19,431	19,431
Total nonoperating revenues/(expenses)	<u>397,191</u>	<u>397,191</u>
Income before contributions		
Transfers and special items	59,466	59,466
Transfers in	-	-
Change in net position	59,466	59,466
Net position as of June 30, 2013	<u>108,055</u>	<u>108,055</u>
Net position as of June 30, 2014	<u>\$ 167,521</u>	<u>\$ 167,521</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year ended June 30, 2014

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from:		
Lunchroom sales	\$ 10,210	\$ 10,210
Other activities	126	126
Cash paid to/for:		
Employees	(142,686)	(142,686)
Supplies	(154,685)	(154,685)
Net cash used in operating activities	<u>(287,035)</u>	<u>(287,035)</u>
Cash flows from non-capital financing activities		
Grants received	378,896	378,896
Net cash used in non-capital financing activities	<u>378,896</u>	<u>378,896</u>
Cash flows from investing activities		
Purchase of fixed assets	-	-
Interest received on investments	-	-
Net cash used in capital and related activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	91,861	91,861
Cash and cash equivalents as of June 30, 2013	51,976	51,976
Cash and cash equivalents as of June 30, 2014	<u>\$ 143,837</u>	<u>\$ 143,837</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income/ (loss)	\$ (337,725)	\$ (337,725)
Adjustments to reconcile change in net position to net cash used in operating activities:		
(Increase) Decrease in Accounts receivable	-	-
(Increase) Decrease in Inventory	-	-
Increase (Decrease) in Accounts payable	27,565	27,565
Increase (Decrease) in Checks written in excess of account balance	-	-
Depreciation	3,694	3,694
Commodities received	19,431	19,431
Net cash used in operating activities	<u>\$ (287,035)</u>	<u>\$ (287,035)</u>
Schedule of non-cash transactions:		
Depreciation	\$ 3,694	\$ 3,694
Donated commodities	19,431	19,431
Total non-cash transactions	<u>\$ 23,125</u>	<u>\$ 23,125</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
 June 30, 2014

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS		
Cash	\$ 49,235	\$ 49,235
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>49,235</u>	<u>49,235</u>
LIABILITIES		
Accounts payable	-	-
Due to student groups	<u>49,235</u>	<u>49,235</u>
Total liabilities	<u>49,235</u>	<u>49,235</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

1. REPORTING ENTITY

The Jenkins Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Jenkins Independent School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Jenkins Independent Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Jenkins Independent School District Finance Corporation – In a prior year, the Jenkins Independent Board of Education resolved to authorize the establishment of the Jenkins Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

Government-wide Financial Statements - The statement of net position and the statement of revenues, expenses, and changes in net position display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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 total 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.

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

The District has the following funds:

I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Funds)

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

The District applies all GASB pronouncements to proprietary funds 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.

III. Fiduciary Fund Type (Agency Funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky 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.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.799 per \$100 valuation for real property, \$.799 per \$100 valuation for business personal property and \$.690 per \$100 valuation for motor vehicles.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Prepaid Assets

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

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. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

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

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

Cash and Cash Equivalents

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

Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balances

Fund balances are separated into five categories, as required by GASB 54, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

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.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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, then unassigned funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014, in the governmental funds balance sheet.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Net Position

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

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, 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.

Deferred Inflows and Deferred Outflows of Resources

The Jenkins Independent Board of Education adopted GASB 63 in the prior year and GASB 65 in the current year, which combined requires the recording of deferred inflows and deferred outflows of resources in the government wide statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2014, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance, collateral agreements, and collateral held by the pledging banks' trust departments in the District's name.

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

3. CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED

Cash and cash equivalents at June 30, 2014 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Whitaker Bank	\$ 1,547,805	\$ 1,385,766
	<u>-</u>	<u>-</u>
	<u>\$ 1,547,805</u>	<u>\$ 1,385,766</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,192,694
Proprietary funds	143,837
Agency funds	<u>49,235</u>
	<u>\$ 1,385,766</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds
SEEK Capital Outlay Fund
Facility Support Program (FSPK) Fund
School Construction Fund
School Food Service Fund
Agency Funds

4. INVESTMENTS

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2014, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	June 30, 2013			June 30, 2014		
	Balance	Additions	Retirements	Balance		
Governmental Activities						
Land & land improvements	\$ 63,665	\$ -	\$ -	\$ 63,665		
Buildings	4,380,085	104,331	-	4,484,416		
Technology equipment	630,595	-	-	630,595		
Vehicles	694,781	90,769	-	785,550		
General equipment	153,901	-	-	153,901		
Construction work in progress	13,776	-	13,776	-		
Total historical cost	5,936,803	195,100	13,776	6,118,127		
Less accumulated depreciation	3,129,788	182,231	-	3,312,019		
Governmental capital assets, net	<u>\$ 2,807,015</u>	<u>\$ 12,869</u>	<u>\$ 13,776</u>	<u>\$ 2,806,108</u>		
Business-type Activities						
Buildings	\$ -	\$ -	\$ -	\$ -		
Technology equipment	-	-	-	-		
Food service and equipment	135,255	-	-	135,255		
Total historical cost	135,255	-	-	135,255		
Less accumulated depreciation	91,231	3,694	-	94,925		
Business-type capital assets, net	<u>\$ 44,024</u>	<u>\$ (3,694)</u>	<u>\$ -</u>	<u>\$ 40,330</u>		

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 35,744
Student	343
Instruction staff	-
District administrative	1,661
School administrative	541
Business	-
Plant operation and maintenance	92,154
Student transportation	51,228
Community Services	560
	<u>\$ 182,231</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

6. CAPITAL LEASE PAYABLE

The District has entered into a capital lease agreement for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2014:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2013	Debt Issued	Debt Paid	Balance June 30, 2014	Due Within One Year
KISTA:								
2009-2nd Series	March 2019	2.0% - 3.9%	\$ 231,403	\$ 145,739	\$ -	\$ 14,826	\$ 130,913	\$ 15,175
2009-3rd Series	March 2020	2.0% - 3.6%	154,690	99,521	-	22,619	76,902	23,388
2011	March 2021	1.0% - 3.6%	83,246	64,801		8,041	56,760	8,041
2014	March 2024	2.0% - 3.0%	92,790	-	92,790	-	92,790	10,044
			<u>\$ 562,129</u>	<u>\$ 310,061</u>	<u>\$ 92,790</u>	<u>\$ 45,486</u>	<u>\$ 357,365</u>	<u>\$ 56,648</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2014:

Year	Principal	Interest	Total
2014-15	\$ 56,648	\$ 10,591	\$ 67,239
2015-16	57,883	9,139	67,022
2016-17	57,617	7,528	65,145
2017-18	55,163	5,784	60,947
2018-19	54,002	4,050	58,052
2019-24	76,052	4,927	80,979
Totals	<u>\$ 357,365</u>	<u>\$ 42,019</u>	<u>\$ 399,384</u>
Less: amounts representing interest			<u>(42,019)</u>
Net Capital lease liability			<u>\$ 357,365</u>

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Jenkins Independent School District Finance Corporation.

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

Issue Date	Proceeds	Rates
2007	1,875,000	1.0% - 3.6%

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

7. LONG-TERM OBLIGATIONS-CONTINUED

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jenkins Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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 District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

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, 2014 for debt service (principal and interest) are as follows:

Year	Jenkins Independent School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2014-15	76,891	53,231	13,109	8,794	90,000	62,025
2015-16	81,411	50,382	13,589	8,313	95,000	58,695
2016-17	85,906	47,327	14,094	7,808	100,000	55,135
2017-18	85,371	44,137	14,629	7,273	100,000	51,410
2018-19	89,808	40,830	15,192	6,710	105,000	47,540
2019-20	94,219	37,333	15,781	6,122	110,000	43,455
2020-21	98,600	33,621	16,400	5,502	115,000	39,123
2021-22	102,947	29,690	17,053	4,850	120,000	34,540
2022-23	107,260	25,538	17,740	4,162	125,000	29,700
2023-24	111,536	21,162	18,464	3,438	130,000	24,600
2024-25	115,782	16,615	19,218	2,685	135,000	19,300
2025-26	114,998	12,000	20,002	1,900	135,000	13,900
2026-27	119,181	7,316	20,819	1,084	140,000	8,400
2027-28	123,315	2,465	16,685	334	140,000	2,799
	<u>\$ 1,407,225</u>	<u>\$ 421,647</u>	<u>\$ 232,775</u>	<u>\$ 68,975</u>	<u>\$ 1,640,000</u>	<u>\$ 490,622</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

7. LONG-TERM OBLIGATIONS-CONTINUED

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2014 is as follows:

School Building Revenue Bonds	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
2007	\$ 1,730,000	\$ -	\$ 90,000	\$ 1,640,000
	<u>\$ 1,730,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 1,640,000</u>

8. OTHER LONG TERM DEBT – KSBIT

The District was assessed a total of \$147,210 payable due to Kentucky School Board Insurance Trust shortfall. The District has several options of repayment but has chosen the zero interest option that will require them to pay 25% of the overall assessment of both Worker’s Compensation and Property and Liability by August 31, 2014, and the remainder over the next six and two years, respectively.

9. RETIREMENT PLANS

Kentucky Teachers’ Retirement System

The District contributes to the Teachers’ Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. Certified employees are covered under KTRS. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system and other educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>.

Funding policy – Contribution rates are established by KTRS. Members contribute 11.355% of their salaries to KTRS. Employer’s contributions for federally funded employees were 14.105% and employer contributions for non-federally funded employees were 1.0%. The Commonwealth of Kentucky, on behalf of the District’s certified employees, is required to contribute a portion of the state retirement (see *On-Behalf Payments*). The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

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.

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

9. RETIREMENT PLANS-CONTINUED

Funding policy – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of member's gross salaries. Those who became members before July 1, 2008 contribute 1.25% of their salary to the plan. Member contributions are 2.25% 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 1.00% of members' salary for the 2013-2014 fiscal year.

County Employees Retirement System

Substantially all other employees (full time classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple employers, and public employer's retirement system. The plan provides for retirement, disability, and death benefits. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The CERS issues a publicly available financial report which may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. Effective September 1, 2008, new CERS members are required to pay 6% of their salary, while all other members hired prior to that date continue to pay 5% and a District contribution of 18.63% of the employee's total compensation subject to contribution.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2014, 2013 and 2012 was \$43,649, \$317,797, and \$361,539, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2014, 2013, and 2012 were \$101,235, \$148,596, and \$139,696, respectively. The District met their contribution requirements.

10. LEASES

As of June 30, 2014, the District had not entered into any material operating leases.

11. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2014 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Kentucky School Boards Insurance Trust (KSBIT)-The Kentucky School Boards Insurance Trust was created in 1978 to provide insurance through nonprofit self-insured pools authorized under Kentucky law. These pools allow school districts, colleges and universities to combine their resources while sharing risks. Due to various economic factors, the Pools have incurred significant deficits. KSBIT has taken a number of steps to address the Pools' deficits; however, the deficits have grown as claims costs have escalated and a substantial number of districts have continued to leave the Pools due to competitive pressures.

The Board of Trustees of KSBIT had claims and reserve reviews undertaken by independent outside firms to confirm the Pools' deficits. As a result of these reviews and after consultation with the Kentucky Department of Insurance, KSBIT provided an assessment that the District must pay. The amounts for

11. CONTINGENCIES-CONTINUED

property/liability insurance and workers compensation insurance have been recorded in the financial statements as liabilities.

12. LITIGATION

The District is subject to legal actions in various states 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.

13. IMPLEMENTATION OF GASB STATEMENT NO. 63 AND GASB NO. 65

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013 and GASB Statement No. 65 for the year ended June 30, 2014. These standards established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

14. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES

The District did not have any funds with deficit balances at June 30, 2014. However, there may be funds with deficit operating balances.

16. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 7,427
Operating	General	Construction	Construction	176,134
Operating	SEEK Capital Outlay	Construction	COFT	33,170
Operating	FSPK	Debt Service	Debt Service	133,318

18. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2014, there were no interfund balances outstanding that are reflected in the financial statements.

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2014

19. ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	257,748
Health and Life insurance		531,388
Other		-
Technology		42,070
Debt Service		21,902
		<u>853,108</u>
	<u>\$</u>	<u>853,108</u>

20. FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
General	\$ 32,831	Supplies inventory
FSPK	243,837	Future Construction/SFCC
Construction	152,587	Future Construction
SEEK Capital Outlay	72,849	Future Construction/SFCC

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 6,268	Other

21. RESTATEMENT OF NET POSITION

Government Accounting Standards Board statements 63 and 65 required changes to the beginning balances of Statement of Net Position. Beginning net position of the governmental activities was decreased \$33,963 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through the date of the audit report.

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

No events that have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	454,000	454,000	643,329	189,329
Motor vehicle	106,000	106,000	113,884	7,884
Utility	180,000	180,000	221,830	41,830
Unmined minerals	100,000	100,000	108,611	8,611
Earnings on investments	1,100	1,100	1,434	334
Other local	27,817	27,817	229,870	202,053
Intergovernmental - State	3,450,965	3,450,965	3,504,583	53,618
Intergovernmental - Federal	3,000	3,000	5,610	2,610
Total revenues	<u>4,322,882</u>	<u>4,322,882</u>	<u>4,829,151</u>	<u>506,269</u>
Expenditures				
Current:				
Instruction	2,504,222	2,504,222	2,398,596	105,626
Student	168,486	168,486	155,329	13,157
Instructional staff	90,318	90,318	72,210	18,108
District administration	598,121	598,121	415,793	182,328
School administration	281,465	281,465	308,309	(26,844)
Business operations	279,181	279,181	288,870	(9,689)
Plant operations and maintenance	359,375	359,375	293,425	65,950
Student transportation	241,542	241,542	313,218	(71,676)
Community services	-	-	-	-
Debt service	55,173	55,173	55,173	-
	<u>4,577,883</u>	<u>4,577,883</u>	<u>4,300,923</u>	<u>276,960</u>
Over (under) expenditures	(255,001)	(255,001)	528,228	783,229
Other financing sources (uses)				
Proceeds from capital lease	-	-	92,790	92,790
Transfers out	(20,000)	(20,000)	(183,561)	(163,561)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(90,771)</u>	<u>(70,771)</u>
Net change in fund balance	(275,001)	(275,001)	437,457	712,458
Fund balance as of June 30, 2013	<u>314,127</u>	<u>314,127</u>	<u>314,127</u>	<u>-</u>
Fund balance as of June 30, 2014	<u>\$ 39,126</u>	<u>\$ 39,126</u>	<u>\$ 751,584</u>	<u>\$ 712,458</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 5,000	\$ 5,000	\$ 7,189	\$ 2,189
Intergovernmental - State	313,437	313,437	212,197	(101,240)
Intergovernmental - Federal	671,743	671,743	458,440	(213,303)
Total revenues	<u>990,180</u>	<u>990,180</u>	<u>677,826</u>	<u>(312,354)</u>
Expenditures				
Current:				
Instruction	746,624	746,624	517,448	229,176
Student support	-	-	3,339	(3,339)
Instructional support	88,101	88,101	68,559	19,542
Student transportation	13,990	13,990	25,124	(11,134)
Community service	139,111	139,111	70,783	68,328
Total expenditures	<u>987,826</u>	<u>987,826</u>	<u>685,253</u>	<u>302,573</u>
Deficit of expenditures over revenues	<u>2,354</u>	<u>2,354</u>	<u>(7,427)</u>	<u>(9,781)</u>
Other financing sources				
Operating transfers in	20,000	20,000	7,427	(12,573)
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>7,427</u>	<u>(12,573)</u>
Net change in fund balance	<u>22,354</u>	<u>22,354</u>	<u>-</u>	<u>(22,354)</u>
Fund balance as of June 30, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2014	<u>\$ 22,354</u>	<u>\$ 22,354</u>	<u>\$ -</u>	<u>\$ (22,354)</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2014

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

JENKINS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 72,849	\$ -	\$ 72,849
Total assets	<u>\$ 72,849</u>	<u>\$ -</u>	<u>\$ 72,849</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Fund Balances:			
Restricted	<u>72,849</u>	<u>-</u>	<u>72,849</u>
Total fund balances	<u>\$ 72,849</u>	<u>\$ -</u>	<u>\$ 72,849</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2014

	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues			
From local sources:			
Taxes:			
Property	\$ -	\$ -	\$ -
Earnings on investments	-	-	-
Intergovernmental - State	46,425	21,902	68,327
Intergovernmental - Federal	-	-	-
	<u>46,425</u>	<u>21,902</u>	<u>68,327</u>
Total revenues			
	<u>46,425</u>	<u>21,902</u>	<u>68,327</u>
Expenditures			
Debt service	-	155,220	155,220
	<u>-</u>	<u>155,220</u>	<u>155,220</u>
Total expenditures			
	<u>-</u>	<u>155,220</u>	<u>155,220</u>
Other financing sources (uses)			
Bond principal proceeds	-	-	-
Transfers in	-	133,318	133,318
Transfers out	(33,170)	-	(33,170)
	<u>(33,170)</u>	<u>-</u>	<u>(33,170)</u>
Total other financing sources (uses)			
	<u>(33,170)</u>	<u>133,318</u>	<u>100,148</u>
Net change in fund balance	13,255	-	13,255
Fund balance as of June 30, 2013	<u>59,594</u>	<u>-</u>	<u>59,594</u>
Fund balance as of June 30, 2014	<u>\$ 72,849</u>	<u>\$ -</u>	<u>\$ 72,849</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
JENKINS INDEPENDENT HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2014

	Balances June 30, 2013	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Balances June 30, 2014
Annual	\$ 3,805	\$ 1,092	\$ 4,897	\$ -	\$ -	\$ -	\$ -	\$ -
Archery	1,205	-	1,139	-	66	-	-	66
Athletics	530	-	286	33	277	-	-	277
Attendance	28	-	-	-	28	-	-	28
Band	1,464	9,377	10,311	-	530	-	-	530
Band Uniforms	-	300	-	-	300	-	-	300
Baseball	569	1,137	1,881	281	106	-	-	106
Book Fines	380	-	-	(380)	-	-	-	-
Boys Basketball	2,556	8,075	8,238	-	2,393	-	-	2,393
Burdine A.R.	124	-	-	152	276	-	-	276
Burdine Campus Gen	2,713	4,225	3,465	3,012	6,485	-	-	6,485
Burdine Staff	1,500	861	910	210	1,661	-	-	1,661
Change	-	500	500	-	-	-	-	-
Cheerleading	26	4,575	4,843	662	420	-	-	420
Class of 2011	663	-	-	(663)	-	-	-	-
Class of 2013	1,309	21	-	(1,310)	20	-	-	20
Class of 2014	1,646	17,911	18,711	-	846	-	-	846
Class of 2015	509	8,324	7,578	-	1,255	-	-	1,255
Class of 2016	4,334	4,646	3,134	1,310	7,156	-	-	7,156
Class of 2017	320	-	-	-	320	-	-	320
Curtains	696	-	-	-	696	-	-	696
District Baseball	-	3,047	2,766	(281)	-	-	-	-
Elem Basketball	55	-	-	-	55	-	-	55
Elem Football	294	40	-	-	334	-	-	334
Elem Library	1,199	5,585	5,584	-	1,200	-	-	1,200
Ele PTO	-	2,337	1,171	116	1,282	-	-	1,282
FCA	1	-	-	-	1	-	-	1
Field Trips	12	-	-	-	12	-	-	12
Football	1,760	8,411	6,988	-	3,183	-	-	3,183
FRYSC	22	1,733	580	-	1,175	-	-	1,175
General Fund	1,890	3,185	4,052	467	1,490	-	-	1,490
Girls Basketball	181	7,439	5,855	-	1,765	-	-	1,765
Golf	143	136	142	-	137	-	-	137
Grants/Greenhouse	2,292	-	-	-	2,292	-	-	2,292
Interact Club	783	321	546	-	558	-	-	558
Ipads	1,000	-	-	-	1,000	-	-	1,000
Key Club	3	-	-	(3)	-	-	-	-

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
JENKINS INDEPENDENT HIGH SCHOOL ACTIVITY FUND - CONTINUED
Year ended June 30, 2014

	Balances June 30, 2013	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Balances June 30, 2014
KIDS Inc	95	4,990	4,940	-	145	-	-	145
Library	13	-	-	-	13	-	-	13
LilCavs Cheer	11	-	-	-	11	-	-	11
Locks	2,469	1,145	696	-	2,918	-	-	2,918
McRoberts Attendance	100	-	-	(100)	-	-	-	-
McRoberts Donation	300	-	-	(300)	-	-	-	-
McRoberts General	2,612	-	-	(2,612)	-	-	-	-
McRoberts Pee Wee	24	-	-	(24)	-	-	-	-
McRoberts Staff	210	-	-	(210)	-	-	-	-
MS Academic Team	3	-	-	-	3	-	-	3
MS Boys Basketball	1,625	2,279	3,156	-	748	-	-	748
MS Cheerleading	52	-	-	-	52	-	-	52
MS Football	55	1	-	-	56	-	-	56
MS Girls Basketball	1,133	571	752	-	952	-	-	952
MS Volleyball	-	340	340	-	-	-	-	-
Pee Wee Cheer	4	5,146	5,123	-	27	-	-	27
Pee Wee Sports	218	2,606	1,384	24	1,464	-	-	1,464
Pencil Sales	77	-	-	(77)	-	-	-	-
Playground Burdine	500	-	-	-	500	-	-	500
PTO	116	-	-	(116)	-	-	-	-
Softball	291	3,201	3,303	-	189	-	-	189
Spriit Club	353	-	-	-	353	-	-	353
Staff Activities	1,718	1,723	2,603	-	838	-	-	838
STLP	92	-	1	-	91	-	-	91
Student Activities	29	-	-	-	29	-	-	29
Testing Incentives Elem	15	-	-	-	15	-	-	15
Track	318	3,016	2,220	-	1,114	-	-	1,114
Transcripts	50	35	50	-	35	-	-	35
Unit 117	-	219	203	-	16	-	-	16
Vending / Fitness	6	-	-	(6)	-	-	-	-
Volleyball	378	7,381	5,412	-	2,347	-	-	2,347
Wrestling	33	-	-	(33)	-	-	-	-
Total accounts	\$ 46,912	\$ 125,931	\$ 123,760	\$ 152	\$ 49,235	\$ -	\$ -	\$ 49,235

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JENKINS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582		
Fiscal Year 14		7790012-14	\$ 9,145
Fiscal Year 13		7790012-13	2,268
Child & Adult Care Food Program	10.588		
Fiscal Year 14		7790021-14	<u>5,469</u>
			<u>16,882</u>
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553		
Fiscal Year 14		7760005-14	82,232
Fiscal Year 13		7760005-13	24,897
National School Lunch Program	10.555		
Fiscal Year 14		7750002-14	159,421
Fiscal Year 13		7750002-13	50,116
Summer Food Service Program for Children	10.559		
Fiscal Year 14		7740023-14	3,681
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 14		51-4550	<u>19,431</u>
<i>Child Nutrition Cluster Total</i>			<u>339,778</u>
Total US Department of Agriculture			<u>356,660</u>
US Department of Education			
Passed Through State Department of Education			
<i>Title I Cluster</i>			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 14		3100002-14	193,373
Fiscal Year 13		3100002-13	96,751
Fiscal Year 12		3100002-12	10,201
Title I Grants to Local Educational Agencies - ARRA			
Fiscal Year 09	84.389	2-3919	<u>633</u>
<i>Title I Cluster Total</i>			<u>300,958</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027		
Fiscal Year 14		3810002-14	47,683
Fiscal Year 13		3810002-13	18,774
Special Education-Preschool Grants	84.173		
Fiscal Year 14		3800002-14	<u>5,245</u>
<i>Special Education Cluster Total</i>			<u>71,702</u>
Improving Teacher Quality State Grants	84.367		
Fiscal Year 14		3230002-14	3,475
Fiscal Year 13		3230002-13	16,357
			<u>19,832</u>
Race to the Top	84.413		
Fiscal Year 11		4521	<u>2,056</u>
Twenty-First Century Community Learning Centers	84.287		
Fiscal Year 13		3400002-13	52,286
Fiscal Year 12		3400002-12	11,606
			<u>63,892</u>
Total US Department of Education			<u>458,440</u>
Total Expenditure of Federal Awards			<u>\$ 815,100</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Jenkins Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2014 is \$19,431.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jenkins Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Jenkins Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Jenkins Independent School District's financial statements are free from 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 test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Jenkins Independent School District in a separate letter dated November 11, 2014.

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 11, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Jenkins Independent School District's 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 Jenkins Independent School District's major federal programs for the year ended June 30, 2014. The Jenkins Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Jenkins Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Jenkins Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jenkins Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Jenkins Independent School District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Jenkins Independent School District, as of and for the year ended June 30, 2014, and have issued our report thereon dated November 11, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 11, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors’ report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

Dollar threshold used to distinguish between Type A and Type B program \$300,000

Auditee qualified as low risk	_____	Yes	<input checked="" type="checkbox"/> No
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(continued)

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year ended June 30, 2014

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2014

Status of Prior Year Findings

13-01

Condition: The single audit reporting package and data collection form was not submitted to the Federal Audit Clearinghouse (FAC) for the prior year.

Criteria: The District had a Single Audit performed in the prior year, which therefore, required the submission of the single audit reporting package and data collection form to the Federal Audit Clearinghouse.

Effects: The District is non-compliant with the Single Audit regulations.

Cause: The District is non-compliant with the Single Audit regulations.

Recommendations: The District needs to ensure proper filing of the single audit reporting package and data collection form to the Federal Audit Clearinghouse within nine months after the end of the audit period or thirty days after release of the audit report, whichever occurs first.

Views of Responsible Officials:

The single audit reporting package and data collection form for the prior year was not submitted. This will be submitted to the Federal Audit Clearinghouse to ensure proper filing has occurred and Jenkins Independent is in compliance with Single Audit regulations.

Follow-up of Prior Year Finding:

The District has corrected this issue and this finding will not repeat in the current audit period.

MANAGEMENT LETTER COMMENTS

Members of the Board of Education
Jenkins Independent School District
Jenkins, Kentucky

In planning and performing our audit of the basic financial statements of Jenkins Independent School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 11, 2014, on the basic financial statements of Jenkins Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with 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.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 11, 2014

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the year ended June 30, 2014

Prior Year Comments – School Activity Funds

Jenkins School

1. Ticket requisitions were either not present or improperly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

This deficiency appears to have been corrected in the current year.

2. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders dated after invoices were noted.

This deficiency appears to have been corrected in the current year.

Current Year Comments –School Activity Funds

There are no comments in the current fiscal year.