

SHELBY COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

with

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Shelby County School District (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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities, and State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request, and Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Instructions for Submission of the Audit Report*. 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 includes 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, and each major fund of the Shelby County 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 on pages 4 through 11, and 40 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 also not a required part of the basic financial statements.

The schedules of receipts, disbursements, and due to student groups, 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 schedules of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 7, 2014

SHELBY COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) Year ended June 30, 2014

This section of the financial statements for the Shelby County Public School District (District) presents management's discussion and analysis of the financial performance of the Shelby County School District during the fiscal year that ended on June 30, 2014. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$56.1 million in revenues, which primarily consisted of funding through the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$55.8 million in General Fund revenues for the prior year.
- Net General Fund SEEK revenue for the year was \$23.8 million, compared to \$23.5 million for the prior year. This represents a 1.1% increase over the previous year funding level.
- The District levied tax rates of 71.5 cents (real estate), 71.5 cents (tangible property), and 46.5 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.
- Construction was completed on the District's new Early Childhood Center ("Northside"), on the site of the former Northside Elementary School. In addition, construction is nearing completion on a new elementary school to replace Southside Elementary School at the same location as the former school, most of which was recently demolished.
- The District, through the Shelby County School District Finance Corporation, issued \$3.4 million of refunding bonds in June 2014. Bonds are issued as the District constructs or renovates facilities consistent with a long-range facilities plan established with community input and in keeping with stringent compliance requirements of the Kentucky Department of Education (KDE).
- The District did not dispose of any land or buildings in the fiscal year that ended June 30, 2014.
- During the current fiscal year, the District's portion of bonded indebtedness payments was decreased by \$5,608,431, including principal of \$2,870,777 and interest of \$2,738,354.
- General Fund expenditures totaled \$54.4 million.

- During the current fiscal year, the District discovered that its payroll manager had allegedly transferred approximately \$593,000 of District funds for her personal use (over a seven year period). This individual is no longer employed and the District is assisting in the prosecution of the former employee, as well as aggressively pursuing restitution of District funds.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts—management’s discussion and analysis, the basic financial statements, notes to basic financial statements, and required supplementary information.

1. **Management’s Discussion and Analysis (MD&A):** The MD&A consists of the previous page and subsequent pages in this section that provide an outline of the financial statements, including specific results and an explanation of the financial statement presentation.
2. **Basic Financial Statements:** The basic financial statements include two kinds of statements that present different views of the District:
 - **Government-wide Financial Statements:**
 - **Statement of Net Position** and **Statement of Activities:** These two financial statements provide both short-term and long-term information about the District’s *overall* financial status.
 - **Fund Financial Statements:**
 - The remaining statements are various fund financial statements that focus on *individual parts* of the District, reporting the District’s operations in more detail than the government-wide statements. More information about the various types of funds is included later but, in general, the funds and their purposes are:
 - **Governmental funds** – Basic services like regular and special education are accounted for in these funds. The governmental funds include the General Fund, the Special Revenue Funds, the Construction Fund, and other governmental funds. The governmental funds statements tell how these basic services were financed in the short-term as well as what remains for future spending.
 - **Proprietary funds** – Certain activities, such as food services, daycare programs, and summer activity programs, are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.
 - **Fiduciary funds** – The District acts, primarily for scholarships and school activity fund accounts, solely as a trustee or agent for the benefit of others. The fiduciary funds statements provide information about these financial relationships.

3. **Notes to the Financial Statements:** The financial statements include notes that explain some of the information in the statements and provide more detailed data.
4. **Supplementary Information:** The financial statements include a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Types of Financial Statements

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and liabilities. The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the District's assets and deferred outflows less liabilities—are one way to measure the District's financial health or position. Over time, an increase or decrease in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help cover the costs of certain services it provides. The District's food services, daycare programs, and summer activity programs are included here.

Fiduciary funds, by definition, are held by the District for others, so these funds are not part of the government-wide financial statements, since only the assets and liabilities of the *District* are included in the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on

particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Funds). The District has three kinds of funds:

- *Governmental funds*—Most of the District’s basic services are included in governmental funds, which generally focus on (1) the flow of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine the financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. In fact, the District’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activity funds. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. As noted previously, we exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of the District’s financial position. The largest portion of the District’s net position reflects its investments in capital assets, such as land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that remains outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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 is summarized in Table 1.

Table 1
Shelby County Public School District
Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School District Total</u>
Current and other assets	\$ 31,484,891	\$ 737,401	\$ 32,222,292
Capital assets	<u>127,605,539</u>	<u>652,507</u>	<u>128,258,046</u>
Total assets	159,090,430	1,389,908	160,480,338
Deferred loss on bond refundings	<u>478,087</u>	<u>-</u>	<u>478,087</u>
Total deferred outflows of resources	<u>478,087</u>	<u>-</u>	<u>478,087</u>
Long-term debt outstanding	78,920,000	-	78,920,000
Other liabilities	<u>10,941,349</u>	<u>27,179</u>	<u>10,968,528</u>
Total liabilities	<u>89,861,349</u>	<u>27,179</u>	<u>89,888,528</u>
Net position invested in capital assets, net of related debt	44,092,680	652,507	44,745,187
Restricted	13,831,556	-	13,831,556
Unrestricted	<u>11,782,932</u>	<u>710,222</u>	<u>12,493,154</u>
Total net position	<u>\$ 69,707,168</u>	<u>\$ 1,362,729</u>	<u>\$ 71,069,897</u>

Comments on Budget Comparisons

- Revenues: General Fund revenues and other financing sources were \$56.3 million for the fiscal year ended June 30, 2014. This includes payments (\$10.3 million) made by the State on behalf of the District. The most significant “on behalf” payments were for employee health insurance and for Teachers’ Retirement match. General Fund actual revenues and other financing sources exceeded budget by approximately \$434,000.
- Expenses: General Fund expenses and other financing sources were \$57.7 million for the year. Budgeted expenses and other financing sources were \$66.8 million. The District had \$6.7 million remaining in budgeted contingency in the General Fund at year-end.

Table 2 presents a summary of the District's revenues for the year.

Table 2
Shelby County Public School District
Revenues
For the year ended June 30, 2014

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	School District <u>Total</u>	<u>Percent</u>
Property taxes	\$ 21,475,680	\$ -	\$ 21,475,680	28.9 %
Motor vehicle taxes	1,378,520	-	1,378,520	1.9
Utilities taxes	3,295,609	-	3,295,609	4.4
Earnings on investments	282,612	4,637	287,249	0.4
Other local revenues	605,986	-	605,986	0.8
State revenue	39,402,634	274,372	39,677,006	53.5
Federal revenue	3,644,375	2,281,316	5,925,691	8.0
Lunchroom sales	-	1,090,764	1,090,764	1.5
Childcare fees	-	481,522	481,522	0.6
Total	<u>\$ 70,085,416</u>	<u>\$ 4,132,611</u>	<u>\$ 74,218,027</u>	<u>100.0 %</u>

2013/2014 Revenues

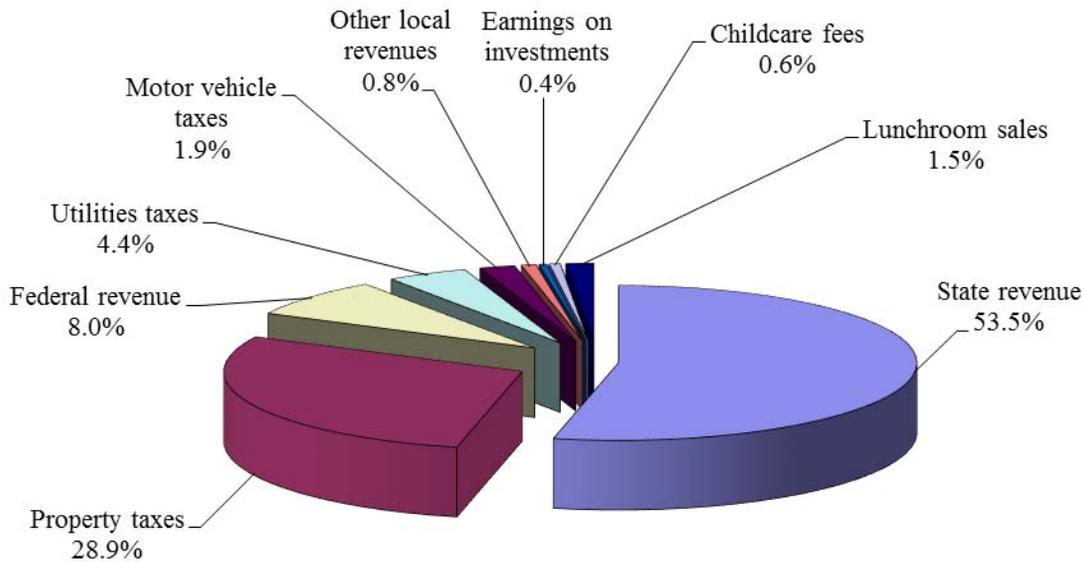
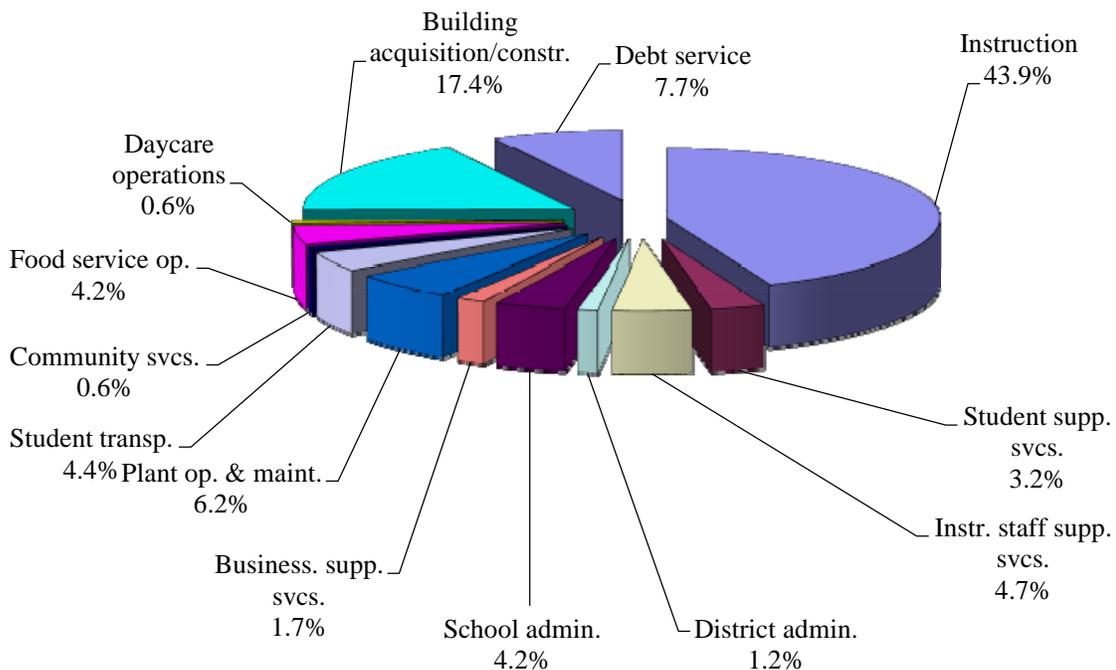


Table 3 presents a summary of the District's expenditures for the year.

Table 3
Shelby County Public School District
Expenditures
For the year ended June 30, 2014

	Governmental Activities	Business- Type Activities	School District Total	Percent
Instruction	\$ 37,843,070	\$ -	\$ 37,843,070	43.9 %
Student support services	2,779,664	-	2,779,664	3.2
Instructional staff support services	4,078,253	-	4,078,253	4.7
District administration	1,017,172	-	1,017,172	1.2
School administration	3,581,440	-	3,581,440	4.2
Business support services	1,475,883	-	1,475,883	1.7
Plant operations and maintenance	5,373,622	-	5,373,622	6.2
Student transportation	3,774,834	-	3,774,834	4.4
Community services	536,439	-	536,439	0.6
Food service operations	127,161	3,463,078	3,590,239	4.2
Daycare operations	-	515,358	515,358	0.6
Building acquisition and construction	14,974,932	-	14,974,932	17.4
Debt service	<u>6,602,559</u>	<u>-</u>	<u>6,602,559</u>	<u>7.7</u>
Totals	<u>\$ 82,165,029</u>	<u>\$ 3,978,436</u>	<u>\$ 86,143,465</u>	<u>100.0 %</u>

2013/2014 Expenditures



BUDGETARY IMPLICATIONS

Contingency

By law the District must have at least a 2% contingency for budgetary purposes, but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with contingency of \$6,741,385 or 11.8% of the budgeted expenses in the General Fund (excluding contingency) and Food Service Fund.

Presentation of Revenues and Expenditures

The “on-behalf” payments are required to be presented as part of both revenues and expenditures. This requirement may be somewhat confusing, so we have presented the following General Fund summary to show the actual and budgeted revenues without these payments:

	General Fund				
	Actual		Excluding On-Behalf	Budget	Favorable (Unfavorable) Variance
Total	Less: On-Behalf				
Total Revenues and other financing sources	\$ 56,129,925	\$ 10,261,274	\$ 45,868,651	\$ 45,464,185	\$ 404,466
Total Expenditures and other financing uses	<u>54,443,943</u>	<u>10,261,274</u>	<u>44,182,669</u>	<u>53,232,831</u>	<u>9,050,162</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ 1,685,982</u>	<u>\$ -</u>	<u>\$ 1,685,982</u>	<u>\$ (7,768,646)</u>	<u>\$ 9,454,628</u>

Budget Approach

For many years, the District has prepared its budget in a conservative manner. A sizable fund balance at the beginning of the year is important since the majority of the District’s tax revenue is not received until approximately five months into the fiscal year. The District’s fund balance is used to offset the delay in tax receipts for the year.

In addition, the District receives approximately half of its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and adjustments to state SEEK appropriations.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances and to demonstrate the District’s accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact Greg Murphy, Director of Finance, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. He can also be reached by electronic mail at james.neihof@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 29,875,073	\$ 684,514	\$ 30,559,587
Investments	35,997	-	35,997
Receivables:			
Taxes	655,902	-	655,902
Intergovernmental – Federal	696,269	-	696,269
Intergovernmental – State	139,380	-	139,380
Other	82,270	-	82,270
Inventory	-	52,887	52,887
Net capital assets	<u>127,605,539</u>	<u>652,507</u>	<u>128,258,046</u>
Total assets	159,090,430	1,389,908	160,480,338
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	478,087	-	478,087
LIABILITIES			
Accounts payable	1,939,384	27,179	1,966,563
Unearned revenue	1,182,935	-	1,182,935
Current maturities of bond obligations	3,655,000	-	3,655,000
Current portion of accumulated sick leave	175,000	-	175,000
Interest payable	937,859	-	937,859
Current portion of accrued insurance claims liability	101,546	-	101,546
Noncurrent maturities of bond obligations	78,920,000	-	78,920,000
Noncurrent portion of accumulated sick leave	2,725,000	-	2,725,000
Noncurrent portion of accrued insurance claims liability	<u>224,625</u>	<u>-</u>	<u>224,625</u>
Total liabilities	<u>89,861,349</u>	<u>27,179</u>	<u>89,888,528</u>
NET POSITION			
Invested in capital assets, net of related debt	44,092,680	652,507	44,745,187
Restricted for:			
Capital expenditures	9,187,655	-	9,187,655
Capital expenditures/debt service	4,643,901	-	4,643,901
Unrestricted	<u>11,782,932</u>	<u>710,222</u>	<u>12,493,154</u>
Total net position	<u>\$ 69,707,168</u>	<u>\$ 1,362,729</u>	<u>\$ 71,069,897</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

FUNCTION/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental activities							
Instruction	\$ 38,101,103	\$ -	\$ 11,518,024	\$ -	\$ (26,583,079)	\$ -	\$ (26,583,079)
Student support services	2,815,530	-	622,424	-	(2,193,106)	-	(2,193,106)
Instructional staff support services	4,078,253	-	1,623,655	-	(2,454,598)	-	(2,454,598)
District administration	1,055,956	-	84,460	-	(971,496)	-	(971,496)
School administration	3,874,003	-	793,410	-	(3,080,593)	-	(3,080,593)
Business support services	1,520,241	-	270,461	-	(1,249,780)	-	(1,249,780)
Plant operations and maintenance	7,596,702	-	382,963	-	(7,213,739)	-	(7,213,739)
Student transportation	4,132,752	-	474,421	-	(3,658,331)	-	(3,658,331)
Food service operations	127,161	-	-	-	(127,161)	-	(127,161)
Community services	536,439	-	536,439	-	-	-	-
Interest and bond issue costs	3,555,980	-	-	2,814,554	(741,426)	-	(741,426)
Total governmental activities	67,394,120	-	16,306,257	2,814,554	(48,273,309)	-	(48,273,309)
Business-type activities							
Food service	3,463,078	1,090,764	2,555,688	-	-	183,374	183,374
Child care	515,358	481,522	-	-	-	(33,836)	(33,836)
Total business-type activities	3,978,436	1,572,286	2,555,688	-	-	149,538	149,538
Total primary government	\$ 71,372,556	\$ 1,572,286	\$ 18,861,945	\$ 2,814,554	(48,273,309)	149,538	(48,123,771)
General revenues							
Taxes:							
Property					21,475,680	-	21,475,680
Motor vehicle					1,378,520	-	1,378,520
Utilities					3,295,609	-	3,295,609
Earnings on investments					282,612	4,637	287,249
State grants					24,044,951	-	24,044,951
Federal grants					129,586	-	129,586
Other local amounts					381,565	-	381,565
Total general revenues					50,988,523	4,637	50,993,160
Operating transfers in (out)					181,560	(181,560)	-
Change in net position					2,896,774	(27,385)	2,869,389
Net position as of July 1, 2013					66,810,394	1,390,114	68,200,508
Net position as of June 30, 2014					\$ 69,707,168	\$ 1,362,729	\$ 71,069,897

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash	\$ 13,931,694	\$ 375,597	\$ -	\$ 4,643,901	\$ 10,923,881	\$ -	\$ 29,875,073
Investments	35,997	-	-	-	-	-	35,997
Receivables:							
Taxes	655,902	-	-	-	-	-	655,902
Other	81,195	1,075	-	-	-	-	82,270
Intergovernmental – Federal	10,011	686,258	-	-	-	-	696,269
Intergovernmental – State	-	139,380	-	-	-	-	139,380
Total assets	\$ 14,714,799	\$ 1,202,310	\$ -	\$ 4,643,901	\$ 10,923,881	\$ -	\$ 31,484,891
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 183,783	\$ 19,375	\$ -	\$ -	\$ 1,736,226	\$ -	\$ 1,939,384
Unearned revenue	-	1,182,935	-	-	-	-	1,182,935
Current portion of accumulated sick leave	175,000	-	-	-	-	-	175,000
Total liabilities	358,783	1,202,310	-	-	1,736,226	-	3,297,319
Fund balances							
Restricted for:							
Capital expenditures	-	-	-	-	9,187,655	-	9,187,655
Capital expenditures/ debt service	-	-	-	4,643,901	-	-	4,643,901
Committed to future construction projects	8,000,000	-	-	-	-	-	8,000,000
Assigned to purchase obligations	491,961	-	-	-	-	-	491,961
Unassigned	5,864,055	-	-	-	-	-	5,864,055
Total fund balances	14,356,016	-	-	4,643,901	9,187,655	-	28,187,572
Total liabilities and fund balances	\$ 14,714,799	\$ 1,202,310	\$ -	\$ 4,643,901	\$ 10,923,881	\$ -	\$ 31,484,891

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances – governmental funds	\$ 28,187,572
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$173,351,699, and the accumulated depreciation is \$45,746,160.	127,605,539
Deferred loss on bond refundings are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	478,087
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.	(82,575,000)
Noncurrent portion of 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.	(2,725,000)
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.	(937,859)
Accrued insurance claims liability is not reported in the government 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>(326,171)</u>
Total net position – governmental activities	<u>\$ 69,707,168</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2014**

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ 16,471,026	\$ -	\$ -	\$ 5,004,654	\$ -	\$ -	\$ 21,475,680
Motor vehicle	1,378,520	-	-	-	-	-	1,378,520
Utilities	3,295,609	-	-	-	-	-	3,295,609
Earnings on investments	191,312	130	-	-	91,170	-	282,612
Other local	357,647	248,339	-	-	-	-	605,986
Intergovernmental – State	34,306,225	2,281,855	625,074	1,195,352	-	994,128	39,402,634
Intergovernmental – Federal	129,586	3,514,789	-	-	-	-	3,644,375
Total revenues	56,129,925	6,045,113	625,074	6,200,006	91,170	994,128	70,085,416
Expenditures							
Current:							
Instruction	33,590,754	4,252,316	-	-	-	-	37,843,070
Student support services	2,705,152	74,512	-	-	-	-	2,779,664
Instructional staff support services	3,016,083	1,062,170	-	-	-	-	4,078,253
District administration	1,017,172	-	-	-	-	-	1,017,172
School administration	3,567,300	14,140	-	-	-	-	3,581,440
Business support services	1,475,883	-	-	-	-	-	1,475,883
Plant operations and maintenance	5,363,532	10,090	-	-	-	-	5,373,622
Student transportation	3,580,906	193,928	-	-	-	-	3,774,834
Food service operations	127,161	-	-	-	-	-	127,161
Community services	-	536,439	-	-	-	-	536,439
Facilities acquisition and construction	-	-	-	-	14,974,932	-	14,974,932
Debt service	-	-	-	-	-	6,602,559	6,602,559
Total expenditures	54,443,943	6,143,595	-	-	14,974,932	6,602,559	82,165,029
(Deficit) excess of revenues (under) over expenditures	1,685,982	(98,482)	625,074	6,200,006	(14,883,762)	(5,608,431)	(12,079,613)
Other financing sources (uses)							
Proceeds from issuance of refunding bonds	-	-	-	-	-	3,405,000	3,405,000
Payment to refunded bond escrow agent	-	-	-	-	-	(3,405,000)	(3,405,000)
Operating transfers in	181,560	98,482	-	-	4,754,426	5,608,431	10,642,899
Operating transfers out	(3,272,348)	-	(625,074)	(6,550,346)	(13,571)	-	(10,461,339)
Other	23,918	-	-	-	-	-	23,918
Total other financing sources (uses)	(3,066,870)	98,482	(625,074)	(6,550,346)	4,740,855	5,608,431	205,478
Net change in fund balance	(1,380,888)	-	-	(350,340)	(10,142,907)	-	(11,874,135)
Fund balance as of July 1, 2013	15,736,904	-	-	4,994,241	19,330,562	-	40,061,707
Fund balance as of June 30, 2014	<u>\$ 14,356,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643,901</u>	<u>\$ 9,187,655</u>	<u>\$ -</u>	<u>\$ 28,187,572</u>

See accompanying notes.

SHELBY COUNTY 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	\$ (11,874,135)
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 are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which capital outlays (\$15,559,740) exceed depreciation expense (\$4,078,239).	11,481,501
Deferred loss on bond refundings are not reported as expenditures in the governmental funds financial statements, but are capitalized and amortized over the life of the related bonds on the statement of activities.	83,010
Bond proceeds are other financing resources in the governmental fund financial statements, but are not included in the statement of activities.	(3,405,000)
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	6,368,569
Insurance claims expense related to accrued insurance claims liability is recognized in the statement of activities, but not in the governmental fund financial statements because it will not be paid with existing financial resources.	273,829
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(31,000)</u>
Change in net position – governmental activities	<u>\$ 2,896,774</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2014

	School Food Service <u>Fund</u>	Child Care <u>Fund</u>	Total Proprietary <u>Funds</u>
ASSETS			
Current assets			
Cash	\$ 605,855	\$ 78,659	\$ 684,514
Inventory	<u>52,887</u>	<u>-</u>	<u>52,887</u>
Total current assets	658,742	78,659	737,401
Noncurrent assets			
Capital assets	2,064,259	-	2,064,259
Less accumulated depreciation	<u>1,411,752</u>	<u>-</u>	<u>1,411,752</u>
Total noncurrent assets	<u>652,507</u>	<u>-</u>	<u>652,507</u>
Total assets	1,311,249	78,659	1,389,908
LIABILITIES			
Current liabilities			
Accounts payable	<u>27,179</u>	<u>-</u>	<u>27,179</u>
Total current liabilities	27,179	-	27,179
NET POSITION			
Invested in capital assets	652,507	-	652,507
Unrestricted	<u>631,563</u>	<u>78,659</u>	<u>710,222</u>
Total net position	<u>\$ 1,284,070</u>	<u>\$ 78,659</u>	<u>\$ 1,362,729</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year ended June 30, 2014**

	School Food Service Fund	Child Care Fund	Total Proprietary Funds
Operating revenues			
Lunchroom sales	\$ 1,090,764	\$ -	\$ 1,090,764
Childcare fees	<u>-</u>	<u>481,522</u>	<u>481,522</u>
Total operating revenues	1,090,764	481,522	1,572,286
Operating expenses			
Salaries, wages, and benefits	1,755,900	463,396	2,219,296
Contract services	11,932	5,194	17,126
Materials and supplies	1,594,944	38,524	1,633,468
Depreciation	92,239	-	92,239
Other	<u>8,063</u>	<u>8,244</u>	<u>16,307</u>
Total operating expenses	<u>3,463,078</u>	<u>515,358</u>	<u>3,978,436</u>
Operating loss	(2,372,314)	(33,836)	(2,406,150)
Nonoperating revenues			
Federal grants	2,165,682	-	2,165,682
Donated commodities	115,633	-	115,633
State grants	274,373	-	274,373
Interest income	<u>4,637</u>	<u>-</u>	<u>4,637</u>
Total nonoperating revenues	<u>2,560,325</u>	<u>-</u>	<u>2,560,325</u>
Income (loss) before operating transfer	188,011	(33,836)	154,175
Operating transfer out	<u>(181,560)</u>	<u>-</u>	<u>(181,560)</u>
Change in net position	6,451	(33,836)	(27,385)
Net position as of July 1, 2013	<u>1,277,619</u>	<u>112,495</u>	<u>1,390,114</u>
Net position as of June 30, 2014	<u>\$ 1,284,070</u>	<u>\$ 78,659</u>	<u>\$ 1,362,729</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30, 2014

	School Food Service Fund	Child Care Fund	Total Proprietary Funds
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 1,090,764	\$ -	\$ 1,090,764
Childcare fees	-	481,522	481,522
Cash paid to/for:			
Employees and contract services	(1,767,832)	(468,590)	(2,236,422)
Materials and supplies	(1,483,988)	(39,766)	(1,523,754)
Other	<u>(5,977)</u>	<u>(8,244)</u>	<u>(14,221)</u>
Net cash used in operating activities	(2,167,033)	(35,078)	(2,202,111)
Cash flows from noncapital financing activities			
Government grants	<u>2,655,995</u>	<u>-</u>	<u>2,655,995</u>
Net cash provided by noncapital financing activities	2,655,995	-	2,655,995
Cash flows from capital and related financing activities			
Capital asset purchases	(162,032)	-	(162,032)
Advance from General Fund	(267,597)	-	(267,597)
Operating transfer to General Fund	<u>(181,560)</u>	<u>-</u>	<u>(181,560)</u>
Net cash used in capital and related financing activities	(611,189)	-	(611,189)
Cash flows from investing activities			
Receipt of interest income	<u>4,637</u>	<u>-</u>	<u>4,637</u>
Net cash provided by investing activities	<u>4,637</u>	<u>-</u>	<u>4,637</u>
Net decrease in cash	(117,590)	(35,078)	(152,668)
Cash as of July 1, 2013	<u>723,445</u>	<u>113,737</u>	<u>837,182</u>
Cash as of June 30, 2014	<u>\$ 605,855</u>	<u>\$ 78,659</u>	<u>\$ 684,514</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (2,372,314)	\$ (33,836)	\$ (2,406,150)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	92,239	-	92,239
Donated commodities	115,633	-	115,633
Other	2,086	-	2,086
Changes in assets and liabilities:			
Inventory	(13,355)	-	(13,355)
Accounts payable	<u>8,678</u>	<u>(1,242)</u>	<u>7,436</u>
Net cash used in operating activities	<u>\$ (2,167,033)</u>	<u>\$ (35,078)</u>	<u>\$ (2,202,111)</u>
Schedule of non-cash transactions			
Donated commodities	\$ 115,633	\$ -	\$ 115,633

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS

June 30, 2014

	<u>Private Purpose Trust Fund</u>	<u>Student Activity Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash	\$ 4,328	\$ 931,536	\$ 935,864
Total assets	4,328	931,536	935,864
LIABILITIES			
Due to student groups	<u>-</u>	<u>931,536</u>	<u>931,536</u>
Total liabilities	<u>-</u>	<u>931,536</u>	<u>931,536</u>
Total net position	<u>\$ 4,328</u>	<u>\$ -</u>	<u>\$ 4,328</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
Year ended June 30, 2014

	<u>Private Purpose Trust Fund</u>
Revenues	
Earnings on investments	\$ 4
Contributions	<u>18,000</u>
Total revenues	18,004
Expenditures	
Scholarships	<u>14,000</u>
Total expenditures	<u>14,000</u>
Change in net position	4,004
Net position as of July 1, 2013	<u>324</u>
Net position as of June 30, 2014	<u><u>\$ 4,328</u></u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2014

1. Basis of presentation and summary of significant accounting policies

Reporting entity – The Shelby County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Shelby County School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of those funding source entities. However, the District is not included in any other governmental reporting entity, and its Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the District's operation. 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.

The District's basic financial statements 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 basic financial statements of the following organization are included in the accompanying basic financial statements:

Shelby County School District Finance Corporation – The Shelby County, Kentucky, Board of Education established the Shelby County School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Shelby County Board of Education also comprise the Corporation's Board of Directors.

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the District's financial activities, except for fiduciary funds. The statements distinguish between those District activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District's activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each fund is presented in a separate column. Fiduciary funds are reported by fund type.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include salaries and benefits, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require 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. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

a. Governmental fund types

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in 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.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
2. The Facility Support Program (FSPK) Fund accounts for and reports 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 School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

4. The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

b. Proprietary fund types

The School Food Service Fund accounts for and reports 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. This is a major fund of the District.

The Child Care Fund is used to account for and report after-school revenues and programs where a fee is charged for participating. This is a major fund of the District.

c. Fiduciary fund types

The Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds* (Redbook).

The Private Purpose Trust Fund accounts for and reports the Pflughaupt Memorial Scholarship Fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary process – 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 year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for 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 year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Inventory – Inventory which consists of food and supplies is recorded at the lower of cost, determined by the first-in first-out (FIFO) method, or market.

Prepaid expenses – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items on the accompanying statement of net position using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2014.

Bond issue costs – Bond issue costs are expensed as incurred.

Deferred loss on bond refundings – Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

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

Capital assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds and 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 fund.

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains capitalization thresholds as shown below. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>	<u>Capitalization Thresholds</u>
Buildings and improvements	20-50 years	\$ 10,000
Land improvements	20 years	10,000
Technology equipment	5 years	5,000
Vehicles	5-10 years	All
General equipment	15 years	5,000
Food service equipment	12 years	1,000
Infrastructure	20 years	10,000

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 in 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 if they will be liquidated with current resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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

Accumulated sick leave – Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

Fund balances – The District classifies its governmental fund balances as follows:

Nonspendable – This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2014.

Restricted – This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for future use by the Board. Only the Board may commit funds and modify or rescind the commitment.

Assigned – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

When the District incurs an expenditure for which both restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities. Amounts 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 the asset's use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When the District incurs an expenditure for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

Interfund activity – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrance accounting – 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 fiscal year.

Estimates – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent events – The District's management has evaluated subsequent events through November 7, 2014, the date which the financial statements were available for issue. No subsequent events were of such a nature as to require disclosure.

New accounting pronouncements – In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and in November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 replace previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statements No. 68 and No. 71 are to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. These statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statements No. 68 and No. 71 also provide related note disclosure and supplementary information requirements. GASB Statements No. 68 and No. 71 are effective for years beginning after June 15, 2014. The District has not determined the potential impact these pronouncements will have on its future financial statements.

2. Deposits with financial institutions

As of June 30, 2014, the carrying amount of the District's deposits with financial institutions was \$31,495,451, and its bank balances totaled \$33,639,070. Of the total bank balances, approximately \$250,000 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

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

Special Revenue Funds
Facility Support Program (FSPK) Fund
School Construction Fund
Student Activity Funds
Private Purpose Trust Fund

District funds are considered to be 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.

3. Taxes

The District's ad valorem property tax is levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes as certified by the Kentucky Department of Revenue become delinquent after January 31.

The property tax rates assessed for the year ended June 30, 2014 were \$.715 per \$100 valuation for real property, \$.715 per \$100 valuation for business personal property, and \$.465 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.

4. Capital assets

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

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Balance June 30, 2014</u>
Land	\$ 2,877,875	\$ -	\$ -	\$ -	\$ 2,877,875
Land improvements	1,484,521	-	-	-	1,484,521
Buildings and improvements	139,970,198	-	-	8,428,850	148,399,048
Technology equipment	982,748	48,755	30,440	-	1,001,063
Vehicles	5,881,524	-	200,849	-	5,680,675
General equipment	1,238,819	51,135	6,268	-	1,283,686
Construction in progress	5,103,999	15,459,850	-	(8,428,850)	12,134,999
Infrastructure	<u>489,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,832</u>
Total cost	158,029,516	15,559,740	237,557	-	173,351,699
Less accumulated depreciation:					
Land improvements	852,706	47,340	-	-	900,046
Buildings and improvements	35,243,834	3,483,942	-	-	38,727,776
Technology equipment	722,736	111,168	30,440	-	803,464
Vehicles	4,216,738	334,341	200,849	-	4,350,230
General equipment	624,549	76,956	6,268	-	695,237
Infrastructure	<u>244,915</u>	<u>24,492</u>	<u>-</u>	<u>-</u>	<u>269,407</u>
Total accumulated depreciation	<u>41,905,478</u>	<u>4,078,239</u>	<u>237,557</u>	<u>-</u>	<u>45,746,160</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental Activities</u>					
Governmental activities net capital assets	<u>\$ 116,124,038</u>	<u>\$ 11,481,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,605,539</u>
<u>Business-Type Activities</u>					
Food service equipment	\$ 1,981,415	\$ 162,032	\$ 79,188	\$ -	\$ 2,064,259
Less accumulated depreciation:					
Food service equipment	<u>1,396,615</u>	<u>92,239</u>	<u>77,102</u>	<u>-</u>	<u>1,411,752</u>
Business-type activities net capital assets	<u>\$ 584,800</u>	<u>\$ 69,793</u>	<u>\$ 2,086</u>	<u>\$ -</u>	<u>\$ 652,507</u>

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 500,862
Student support services	35,866
District administration	38,784
School administration	292,563
Business support services	44,358
Plant operations and maintenance	2,807,888
Student transportation	<u>357,918</u>
Total depreciation expense	<u>\$ 4,078,239</u>

5. Bonded debt and lease 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 Shelby County School District Finance Corporation.

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

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
1996	\$ 285,000	4.00 – 5.10%
2005	5,140,000	2.50 – 4.25%
2009	13,710,000	2.25 – 3.25%
2009	35,700,000	3.25 – 5.00%
2011	6,210,000	1.00 – 3.125%
2012	9,620,000	0.70 – 2.80%
2012	5,010,000	0.70 – 2.55%
2013	18,590,000	2.00 – 3.125%
2014	3,405,000	1.00 – 2.50%

The District, through the General Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Shelby County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

During fiscal year 2014, the District issued revenue refunding bonds totaling \$3,405,000 to defease the 2005 bond issue totaling \$3,280,000. This transaction will result in future cash flow savings of approximately \$283,000, and an economic gain (difference between present value of the new debt service payments and the old debt service payments) totaling approximately \$262,000. As of June 30, 2014, the defeased portion of the 2005 bonds is outstanding.

For the 1996, 2009, (two issues), 2011, 2012, and 2013 bond issues, the District entered into "participation agreements" with the 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. 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 bonds may be called prior to maturity with redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the District's minimum obligations, including amounts to be paid by the Commission, as of June 30, 2014 for debt service (principal and interest) are as follows:

Fiscal Year Ending	Shelby County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2015	\$ 2,943,092	\$ 2,571,530	\$ 711,908	\$ 282,886	\$ 6,509,416
2016	3,051,288	2,528,682	728,712	264,158	6,572,840
2017	3,129,418	2,446,434	730,582	243,837	6,550,271
2018	3,217,338	2,456,159	747,662	223,894	6,645,053
2019	3,307,418	2,268,575	767,582	203,455	6,547,030
2020	3,401,976	2,170,888	463,024	181,493	6,217,381
2021	3,509,490	2,068,592	475,510	169,008	6,222,600
2022	3,616,139	1,958,962	488,861	155,655	6,219,617
2023	3,735,342	1,842,230	504,658	139,858	6,222,088
2024	3,858,614	1,715,429	521,386	123,132	6,218,561
2025	3,991,374	1,578,230	363,626	105,326	6,038,556

Fiscal Year Ending	Shelby County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2026	\$ 4,192,846	\$ 1,401,407	\$ 377,154	\$ 91,798	\$ 6,063,205
2027	4,393,577	1,202,962	391,423	77,531	6,065,493
2028	4,613,301	984,272	406,699	62,253	6,066,525
2029	4,837,390	755,476	422,610	46,342	6,061,818
2030	4,350,385	506,768	234,615	29,766	5,121,534
2031	4,423,347	381,623	241,653	22,728	5,069,351
2032	4,446,097	253,481	248,903	15,478	4,963,959
2033	4,473,630	123,983	256,370	8,010	4,861,993
	<u>\$ 73,492,062</u>	<u>\$ 29,215,683</u>	<u>\$ 9,082,938</u>	<u>\$ 2,446,608</u>	<u>\$ 114,237,291</u>

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2014 is as follows:

Issue	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014
School Building Revenue Bonds:				
1996	\$ 60,000	\$ -	\$ 20,000	\$ 40,000
2005	3,515,000	-	3,515,000	-
2009	9,900,000	-	1,535,000	8,365,000
2009	33,510,000	-	610,000	32,900,000
2011	5,590,000	-	275,000	5,315,000
2012	9,445,000	-	130,000	9,315,000
2012	4,855,000	-	-	4,855,000
2013	18,590,000	-	210,000	18,380,000
2014	-	3,405,000	-	3,405,000
Totals	<u>\$ 85,465,000</u>	<u>\$ 3,405,000</u>	<u>\$ 6,295,000</u>	<u>\$ 82,575,000</u>

6. Accumulated unpaid sick leave benefits

Upon retirement from the school system, eligible employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2014 is as follows:

Balance as of July 1, 2013	\$ 2,869,000
Additions/increases to estimate	72,453
Less payments/forfeitures	<u>41,453</u>
Balance as of June 30, 2014	2,900,000
Less current portion	<u>175,000</u>
Noncurrent portion	<u>\$ 2,725,000</u>

7. Accrued insurance claims liability

The District has previously purchased workers compensation and general liability insurance through the Kentucky School Boards Insurance Trust (KSBIT). KSBIT filed for bankruptcy. Accordingly, the participant districts are subject to KSBIT's unpaid outstanding claims. During fiscal 2014, the KSBIT invoiced the District for its share of outstanding claims. This liability is accrued as accrued insurance claims liability on the accompanying statement of net position. The District is potentially liable for additional amounts pertaining to this matter. The potential additional liability, if any, is not determinable at this time.

8. Commitments and contingencies

The District receives funding from federal and state 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. 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.

The District is currently subject to a lawsuit filed during fiscal 2013 by an employee asserting claims of retaliation under the Kentucky Whistleblower Act, as well as discrimination and retaliation on the basis of gender under the Kentucky Civil Rights Act. The employee is seeking lost wages of approximately \$90,000 plus punitive damages. The District's legal counsel has advised that he cannot estimate a potential outcome at this time.

Additionally, the District has been named in multiple other lawsuits, most of which are being handled by the District's insurance carrier. The District cannot estimate a potential loss, if any, at this time.

9. Retirement plans

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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 pension plan. That report can 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/>.

Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members who participated in a state retirement system before July 1, 2008, and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide access to post-employment 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 and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

In order to fund the post-employment healthcare benefit, active member contributions are matched by the State at 0.75% of members' gross salaries. Member contributions are 2.25% of salary. 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 District pays 1.5% of members' salaries for the 2013-2014 fiscal year.

The District's total payroll was \$42,840,475, \$41,126,558, and \$42,930,876 for the years ended June 30, 2014, 2013, and 2012, respectively. The payroll for employees covered under KTRS was \$31,869,447, \$31,849,358, and \$31,817,408 for the years ended June 30, 2014, 2013, and 2012, respectively. The Commonwealth contributed \$4,049,236, \$3,946,851, and \$3,771,914 to KTRS for the years ended June 30, 2014, 2013, and 2012, respectively, for the benefit of the participating employees. The District's contributions to KTRS were \$681,000, \$548,330, and \$321,397 for the years ended June 30, 2014, 2013, and 2012, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health benefits to members and their beneficiaries. Under KRS provisions, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation, if hired before September 1, 2008, or 6% of their annual covered compensation if hired after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 18.89% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2014, 2013, and 2012 were \$1,828,870, \$1,605,104, and \$1,605,868, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in the Shelby County Board of Education 403(b) Plan, a defined contribution plan under Section 403(b), 401(k), and 457 of the Internal Revenue Code (IRC). All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable under Section 403(b), 401(k), and 457 of the IRC. Members contributed approximately \$944,000 during the year ended June 30, 2014. The District does not contribute to the plan.

10. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances/net position:

Retirement contributions to KTRS	\$ 4,049,236
Health and life insurance	<u>6,146,947</u>
Total General Fund	10,196,183
Health and life insurance	<u>240,114</u>
Total School Food Service Fund	<u>240,114</u>
Total	<u>\$ 10,436,297</u>

Additionally, the Commonwealth of Kentucky paid \$65,091 in technology related expenses on behalf of the District. This amount is included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances.

11. Insurance, risk management, and related activities

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have exceeded commercial insurance coverage in the past three fiscal years as explained in Note 7.

12. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance. However, the General Fund, the Facility Support Program (FSPK) Fund, the School Construction Fund, and the Child Care Fund had operations that resulted in a current year operating loss, resulting in a corresponding reduction of fund balance.

13. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss contingency.

14. Transfer of funds

The following transfers were made during the year ended June 30, 2014:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	School Food Service	General	Administrative	\$ 181,560
Matching	General	Special Revenue	Technology Matching	98,482
Operating	General	School Construction	Construction	3,173,866
Operating	Facility Support Program (FSPK)	School Construction	Construction	1,566,989
Financing	SEEK Capital Outlay	Debt Service	Debt Payments	625,074
Financing	Facility Support Program (FSPK)	Debt Service	Debt Payments	4,983,357
Operating	School Construction	School Construction	Administrative	13,571

15. Interfund receivables and payables

There were no interfund balances as of June 30, 2014.

SUPPLEMENTARY INFORMATION

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Taxes:				
Property	\$ 16,290,848	\$ 16,390,000	\$ 16,471,026	\$ 81,026
Motor vehicle	1,235,714	1,351,261	1,378,520	27,259
Utilities	3,150,000	3,125,000	3,295,609	170,609
Earnings on investments	184,500	204,500	191,312	(13,188)
Other local	182,668	248,512	357,647	109,135
Intergovernmental – State	34,021,945	34,284,186	34,306,225	22,039
Intergovernmental – Federal	<u>118,000</u>	<u>122,000</u>	<u>129,586</u>	<u>7,586</u>
Total revenues	55,183,675	55,725,459	56,129,925	404,466
Expenditures				
Current:				
Instruction	36,345,586	34,266,516	33,590,754	675,762
Student support services	2,162,426	2,701,525	2,705,152	(3,627)
Instructional staff support services	1,927,458	3,385,088	3,016,083	369,005
District administration	1,404,801	1,487,464	1,017,172	470,292
School administration	2,651,564	3,519,655	3,567,300	(47,645)
Business support services	1,378,288	1,511,130	1,475,883	35,247
Plant operations and maintenance	5,182,957	5,738,115	5,363,532	374,583
Student transportation	3,421,192	3,991,377	3,580,906	410,471
Food service operations	149,399	151,850	127,161	24,689
Contingency	<u>7,342,121</u>	<u>6,741,385</u>	<u>-</u>	<u>6,741,385</u>
Total expenditures	<u>61,965,792</u>	<u>63,494,105</u>	<u>54,443,943</u>	<u>9,050,162</u>
Excess (deficit) of revenues over (under) expenditures	(6,782,117)	(7,768,646)	1,685,982	9,454,628
Other financing sources (uses)				
Operating transfers in	175,000	175,000	181,560	6,560
Operating transfers out	-	(3,272,348)	(3,272,348)	-
Other	<u>-</u>	<u>-</u>	<u>23,918</u>	<u>23,918</u>
Total other financing sources (uses)	<u>175,000</u>	<u>(3,097,348)</u>	<u>(3,066,870)</u>	<u>30,478</u>
Net change in fund balance	(6,607,117)	(10,865,994)	(1,380,888)	9,485,106
Fund balance as of July 1, 2013	<u>15,736,904</u>	<u>15,736,904</u>	<u>15,736,904</u>	<u>-</u>
Fund balance as of June 30, 2014	<u>\$ 9,129,787</u>	<u>\$ 4,870,910</u>	<u>\$ 14,356,016</u>	<u>\$ 9,485,106</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 130	\$ 130
Other local	135,000	150,245	248,339	98,094
Intergovernmental – State	2,173,330	2,249,391	2,281,855	32,464
Intergovernmental – Federal	<u>3,058,344</u>	<u>4,650,611</u>	<u>3,514,789</u>	<u>(1,135,822)</u>
Total revenues	5,366,674	7,050,247	6,045,113	(1,005,134)
Expenditures				
Current:				
Instruction	4,080,484	5,221,825	4,252,316	969,509
Student support services	82,587	95,136	74,512	20,624
Instructional staff support services	524,501	1,095,640	1,062,170	33,470
School administration	13,413	13,864	14,140	(276)
Plant operations and maintenance	-	10,090	10,090	-
Student transportation	148,429	150,954	193,928	(42,974)
Community services	<u>517,260</u>	<u>561,220</u>	<u>536,439</u>	<u>24,781</u>
Total expenditures	<u>5,366,674</u>	<u>7,148,729</u>	<u>6,143,595</u>	<u>1,005,134</u>
Deficit of revenues under expenditures	-	(98,482)	(98,482)	-
Other financing sources				
Operating transfers in	<u>-</u>	<u>98,482</u>	<u>98,482</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>98,482</u>	<u>98,482</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance as of July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MIDDLE AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
Year ended June 30, 2014**

<u>School</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Shelby County Education Center at Cropper Heritage Elementary School	\$ 1,618	\$ 1,180	\$ 1,155	\$ 1,643	\$ -	\$ -	\$ 1,643
Painted Stone Elementary School	92,025	56,493	51,772	96,746	-	-	96,746
Simpsonville Elementary School	62,158	55,585	48,873	68,870	-	-	68,870
Southside Elementary School	90,045	65,412	52,034	103,423	-	-	103,423
Clear Creek Elementary School	27,907	34,126	34,952	27,081	-	-	27,081
Wright Elementary School	32,703	57,642	56,791	33,554	-	-	33,554
East Middle School	103,054	54,009	50,073	106,990	-	-	106,990
West Middle School	60,111	188,011	181,839	66,283	-	-	66,283
	<u>41,464</u>	<u>181,562</u>	<u>171,541</u>	<u>51,485</u>	<u>-</u>	<u>-</u>	<u>51,485</u>
Totals	<u>\$ 511,085</u>	<u>\$ 694,020</u>	<u>\$ 649,030</u>	<u>\$ 556,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,075</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Academic team	\$ 1,461	\$ -	\$ 505	\$ (248)	\$ 708	\$ -	\$ -	\$ 708
Academy	-	130	130	-	-	-	-	-
Amnesty Club	235	-	-	-	235	-	-	235
AP examination	1,108	31,269	30,069	(1,159)	1,149	-	-	1,149
Art	-	787	-	100	887	-	-	887
Athletic booster support	57	8	-	-	65	-	-	65
Athletic Brick Camp	250	150	72	-	328	-	-	328
Athletic fees	4,893	12,426	95	(4,891)	12,333	-	-	12,333
Athletic gate	338	53,012	2,800	(46,314)	4,236	-	-	4,236
Athletic insurance	-	7,110	7,110	-	-	-	-	-
Athletic season passes	545	3,068	75	(3,538)	-	-	-	-
Band	707	-	707	474	474	-	-	474
Baseball	-	-	7,009	7,009	-	-	-	-
Basketball – boys	-	-	7,698	7,698	-	-	-	-
Basketball – District	-	15,826	9,726	(6,100)	-	-	-	-
Basketball – girls	49	-	4,603	4,669	115	-	-	115
Beta Club	582	5,725	6,092	(150)	65	-	-	65
Beverage and snack	479	697	683	(202)	291	-	-	291
Bible study	511	-	-	(511)	-	-	-	-
Black Achievers	650	724	246	(205)	923	-	-	923

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Boys Basketball								
Camp	\$ 1,782	\$ 3,860	\$ 329	\$ (1,523)	\$ 3,790	\$ -	\$ -	\$ 3,790
C. Turner classroom	155	114	88	-	181	-	-	181
Ceralde classroom	1,809	-	-	-	1,809	-	-	1,809
Chess Club	81	35	-	-	116	-	-	116
Chorus	1,038	21,248	14,753	(2,926)	4,607	-	-	4,607
Chorus/Orch Trip Acct	-	37,485	38,694	1,209	-	-	-	-
Class of 2012	947	-	-	(947)	-	-	-	-
Class of 2013	243	-	-	(130)	113	-	-	113
Class of 2014	1,412	25	844	249	842	-	-	842
Class of 2015	988	10,205	8,388	(2,155)	650	-	-	650
Class of 2016	-	662	-	-	662	-	-	662
Colorpro Poster Ac	67	437	1,065	586	25	-	-	25
Cross-country invitational	6,717	11,525	5,717	(5,710)	6,815	-	-	6,815
Culinary	202	10,454	12,524	2,527	659	-	-	659
Dance Team	1,201	8,362	4,876	(241)	4,446	-	-	4,446
District Support Fund	1,177	1,717	2,894	-	-	-	-	-
Diversity Club	833	4,513	3,140	-	2,206	-	-	2,206
Drama	2,304	1,987	1,920	-	2,371	-	-	2,371
Eighth grade team	14	11,200	6,795	(3,962)	457	-	-	457

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
English	\$ 100	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ 100
Ernest Jennings	200	2,250	1,500	-	950	-	-	950
ESL	437	-	-	(437)	-	-	-	-
Family and Consumer SC	565	1,142	289	740	2,158	-	-	2,158
FCCLA	608	1,499	1,892	(66)	149	-	-	149
FEA Scholarship	204	-	-	-	204	-	-	204
Fellow Christian Athletes	1,692	-	-	(1,692)	-	-	-	-
Field trips	-	-	2,822	10,271	7,449	-	-	7,449
Fishing Club	436	-	-	-	436	-	-	436
Football	250	-	12,751	12,501	-	-	-	-
Football camp	477	600	-	(200)	877	-	-	877
Football playoffs	-	1,980	621	(1,359)	-	-	-	-
French Club	367	-	-	-	367	-	-	367
Future Farmers	3,185	7,252	7,653	-	2,784	-	-	2,784
General Athletics	1,901	8,429	2,811	5,454	12,973	-	-	12,973
General Fund	16,758	10,448	9,366	12,320	30,160	-	-	30,160
George Cottrell Scholarship	-	344	-	-	344	-	-	344
Girls basketball camp	1,596	905	358	-	2,143	-	-	2,143

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Girls Soccer								
Semi-Regional	\$ -	\$ 1,995	\$ 1,483	\$ (375)	\$ 137	\$ -	\$ -	\$ 137
Golf – boys	-	-	1,055	1,055	-	-	-	-
Golf – girls	-	-	2,468	2,468	-	-	-	-
Guidance	386	804	600	(15)	575	-	-	575
Hargadon								
Benevolence	470	-	-	-	470	-	-	470
Health and PE	301	-	240	-	61	-	-	61
Interact Club	36	701	321	-	416	-	-	416
Jr KY Homebuilders	-	125	773	648	-	-	-	-
KHSAA Cheer	75	3,105	2,586	(535)	59	-	-	59
Latino Club	283	-	-	-	283	-	-	283
Library fines and copier	7,041	2,486	3,322	(288)	5,917	-	-	5,917
Link crew	28	-	-	-	28	-	-	28
Mildred Jennings	2,326	1,075	1,500	-	1,901	-	-	1,901
National Honor Society	-	1,706	807	(292)	607	-	-	607
Nature Center	1,165	-	-	-	1,165	-	-	1,165
Odyssey	956	-	-	-	956	-	-	956
Orchestra	1,979	3,299	3,789	(437)	1,052	-	-	1,052
ROTC – non-reimburse	13,064	20,117	15,667	(2,286)	15,228	-	-	15,228

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
S.C. Jr. Historical	\$ 358	\$ -	\$ -	\$ -	\$ 358	\$ -	\$ -	\$ 358
SCHS farm	11,585	11,875	3,337	-	20,123	-	-	20,123
SCHS Fund for the Arts	639	-	-	-	639	-	-	639
SCHS Shelbyhouse	9,098	6,309	3,613	-	11,794	-	-	11,794
SCHS theater	667	-	-	-	667	-	-	667
SCHS Youth Service Center	1,594	284	368	(19)	1,491	-	-	1,491
Science Club	759	670	408	(464)	557	-	-	557
Senior class trip	-	29,798	29,581	(217)	-	-	-	-
Soccer – boys	-	-	4,016	4,016	-	-	-	-
Soccer – girls	-	-	3,886	3,886	-	-	-	-
Social studies	5	-	-	(5)	-	-	-	-
Softball	-	5	4,116	4,111	-	-	-	-
Softball camp	4,573	-	280	-	4,293	-	-	4,293
Spanish Club	165	-	-	-	165	-	-	165
Special Education	101	-	-	-	101	-	-	101
Spectrum Fine Arts	-	1,259	-	(330)	929	-	-	929
Spirit Club	158	-	-	-	158	-	-	158
Sports program	2,364	2,431	4,984	189	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Staff vending	\$ 599	\$ 1,543	\$ 2,046	\$ -	\$ 96	\$ -	\$ -	\$ 96
State textbooks	245	196	-	-	441	-	-	441
STLP	-	241	50	-	191	-	-	191
Student Council	589	-	-	-	589	-	-	589
Student insurance	-	140	140	-	-	-	-	-
Student YMCA	-	9,413	7,905	(797)	711	-	-	711
Summer baseball	8,967	14,171	17,673	(25)	5,440	-	-	5,440
Summer boys basketball	288	13,515	16,302	2,999	500	-	-	500
Summer boys golf	1,796	800	1,889	(84)	623	-	-	623
Summer boys soccer	2,749	4,915	5,494	(131)	2,039	-	-	2,039
Summer boys tennis	715	1,901	1,994	-	622	-	-	622
Summer cheerleaders	1,978	11,503	8,033	(368)	5,080	-	-	5,080
Summer cross-country	2,278	-	7,360	5,082	-	-	-	-
Summer football	4,613	25,662	23,921	(1,997)	4,357	-	-	4,357
Summer girls basketball	4,168	7,011	7,553	(551)	3,075	-	-	3,075
Summer girls golf	4,081	11,526	12,176	(69)	3,362	-	-	3,362
Summer girls soccer	3,835	13,107	15,583	536	1,895	-	-	1,895
Summer girls tennis	20	478	180	-	318	-	-	318
Summer softball	8,160	10,999	15,624	-	3,535	-	-	3,535

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Summer swimming	\$ 2,130	\$ 17,257	\$ 12,438	\$ (190)	\$ 6,759	\$ -	\$ -	\$ 6,759
Summer track	158	5,841	4,981	92	1,110	-	-	1,110
Summer volleyball	148	3,619	4,634	867	-	-	-	-
Tech. Student Assoc.	952	2,036	2,438	-	550	-	-	550
Tennis – boys	-	-	305	305	-	-	-	-
Tennis – girls	-	-	305	305	-	-	-	-
TV production	187	80	139	-	128	-	-	128
Volleyball – girls	-	-	1,445	1,445	-	-	-	-
Volleyball Regional	74	-	74	-	-	-	-	-
W. Wilson Project Acct	2,182	505	385	(85)	2,217	-	-	2,217
WHAS Excellence – Larue	115	-	-	200	315	-	-	315
WHAS Excellence – Terry	-	1,000	-	-	1,000	-	-	1,000
Yearbook and Newspaper	3,130	3,880	480	215	6,745	-	-	6,745
Young Republicans	<u>41</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>-</u>	<u>41</u>
Totals	<u>\$ 175,985</u>	<u>\$ 538,993</u>	<u>\$ 480,457</u>	<u>\$ -</u>	<u>\$ 234,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,521</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Academic Guides	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Academic Team	38	10	-	-	48	-	-	48
AP Test Account	3,402	45,667	45,448	-	3,621	-	-	3,621
Art Club	-	365	365	-	-	-	-	-
Art Department	100	200	-	-	300	-	-	300
ASL Club	142	-	-	-	142	-	-	142
Athletic fees	35	13,650	170	(13,515)	-	-	-	-
Athletic gate	-	1,800	1,800	-	-	-	-	-
Athletic gates	-	21,185	12,995	(8,190)	-	-	-	-
Athletic insurance	25	7,675	7,725	25	-	-	-	-
Athletic programs	-	4,900	696	(4,204)	-	-	-	-
Band	-	10,779	8,645	(1,723)	411	-	-	411
Band fees	103	10,848	10,835	59	175	-	-	175
Band instrument rental	152	849	95	-	906	-	-	906
Baseball	-	-	586	586	-	-	-	-
Baseball summer	2,146	4,050	5,159	-	1,037	-	-	1,037
Beta Club	2,912	3,150	3,049	(445)	2,568	-	-	2,568
Black Achievers	-	126	-	-	126	-	-	126
Boys basketball	-	1,855	1,709	(146)	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Boys basketball summer	\$ 2,250	\$ 12,133	\$ 11,972	\$ (929)	\$ 1,482	\$ -	\$ -	\$ 1,482
Boys soccer regional	-	2,998	2,064	(934)	-	-	-	-
Boys tennis	-	50	539	700	211	-	-	211
Cheerleaders	2,917	10,032	12,846	(3)	100	-	-	100
Chorus	4,752	12,649	15,994	(757)	650	-	-	650
Chorus trip	-	4,870	4,870	-	-	-	-	-
Class of 2013	318	-	318	-	-	-	-	-
Class of 2014	2,908	15,527	13,932	30	4,533	-	-	4,533
Class of 2015	88	15,167	13,181	-	2,074	-	-	2,074
Class of 2016	-	407	-	-	407	-	-	407
Collected donations	-	3,137	3,137	-	-	-	-	-
Collins Creations	-	456	38	328	746	-	-	746
Collins Media Production	9,567	10,122	3,702	(2,392)	13,595	-	-	13,595
Concessions	4,750	33,530	20,259	(15,521)	2,500	-	-	2,500
Cross-country	2,512	9,927	6,489	(378)	5,572	-	-	5,572
Culinary arts	1,963	8,734	7,993	1,629	4,333	-	-	4,333
Dance team	-	6,163	5,088	(110)	965	-	-	965
Drama	6,969	9,443	4,615	(2,423)	9,374	-	-	9,374

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Drama Club	\$ -	\$ 45	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ 45
English department	117	-	112	-	5	-	-	5
FCA	500	-	-	-	500	-	-	500
FCCLA	-	7,112	5,857	(156)	1,099	-	-	1,099
FFA	1,306	5,907	5,399	(443)	1,371	-	-	1,371
Field trips	8	-	-	-	8	-	-	8
Fine Arts Dept.	467	158	250	-	375	-	-	375
Florida-Band, Orch, Choir	-	7,090	6,615	(475)	-	-	-	-
Football	-	17,212	23,597	6,385	-	-	-	-
Football playoffs	-	11,125	11,748	623	-	-	-	-
Football summer	1,075	32,853	28,213	(1,476)	4,239	-	-	4,239
French Club	65	-	-	(65)	-	-	-	-
General athletics	2,900	20,793	33,090	33,789	24,392	-	-	24,392
General Fund	5,315	4,487	10,255	2,515	2,062	-	-	2,062
Girls basketball	-	361	964	603	-	-	-	-
Girls basketball summer	3,779	7,069	6,284	-	4,564	-	-	4,564
Girls tennis	-	270	455	185	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Golf boys	\$ 1,333	\$ 961	\$ 2,676	\$ 382	\$ -	\$ -	\$ -	\$ -
Golf girls	500	2,230	2,669	290	351	-	-	351
Graduation expenses	960	-	960	-	-	-	-	-
Guidance	510	2,212	1,951	-	771	-	-	771
Habitat for Humanity	496	20	516	-	-	-	-	-
Hispanic Achievers	256	470	331	-	395	-	-	395
International Club	245	-	-	(245)	-	-	-	-
Jets Team	86	-	-	(86)	-	-	-	-
JROTC	380	12,044	9,532	286	3,178	-	-	3,178
KY Jr Historical Soc.	50	-	-	-	50	-	-	50
Lacrosse-Girls	1,978	9,919	8,850	(328)	2,719	-	-	2,719
Lacrosse-Boys	-	5,202	3,463	360	2,099	-	-	2,099
Lacrosse District Tournament	-	1,010	697	(313)	-	-	-	-
Leo Club administrator	515	-	-	-	515	-	-	515
Leo projects	382	-	-	-	382	-	-	382
Library	2,635	2,127	1,492	-	3,270	-	-	3,270
Link Crew	-	40	-	-	40	-	-	40
NHS	834	894	682	(215)	831	-	-	831

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2014</u>
Odyssey	\$ 154	\$ 1,093	\$ 1,110	\$ -	\$ 137	\$ -	\$ -	\$ 137
Orchestra	966	7,805	7,515	(244)	1,012	-	-	1,012
PLTW	863	100	761	86	288	-	-	288
Rachel's Challenge	-	140	-	-	140	-	-	140
SBDM Reimbursement	3,553	4,078	9,885	8,846	6,592	-	-	6,592
Science Department	315	1,651	915	(606)	445	-	-	445
Senior Needs Fund	100	200	135	-	165	-	-	165
Senior Service Project	-	102	-	-	102	-	-	102
Shelby Prevention	215	-	-	-	215	-	-	215
Soccer boys	-	3,466	2,219	(1,247)	-	-	-	-
Soccer boys summer	-	5,582	4,969	-	613	-	-	613
Soccer girls	-	3,709	3,323	(386)	-	-	-	-
Soccer girls summer	2,665	4,191	4,252	(39)	2,565	-	-	2,565
Softball	-	-	120	120	-	-	-	-
Softball District	-	1,805	1,533	(272)	-	-	-	-
Softball summer	4,085	1,367	2,085	-	3,367	-	-	3,367
Spanish NHS	241	-	66	-	175	-	-	175
Special Education	-	574	574	-	-	-	-	-
Sports passes	-	1,900	-	(1,900)	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2014**

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable June 30, 2014</u>	<u>Accounts Payable June 30, 2014</u>	<u>Due to Student Groups June 30, 2014</u>
Staff vending	\$ 27	\$ 1,059	\$ 2,155	\$ 1,069	\$ -	\$ -	\$ -	\$ -
Student Council	54	-	-	-	54	-	-	54
Student vending	659	4,289	2,024	(472)	2,452	-	-	2,452
Textbooks	853	4,063	283	-	4,633	-	-	4,633
Titan Nation	-	1,653	1,317	-	336	-	-	336
Torch Prep	-	350	350	-	-	-	-	-
Track summer	-	4,156	3,674	750	1,232	-	-	1,232
TSA	4,929	8,496	12,107	-	1,318	-	-	1,318
Volleyball	-	3,337	4,460	1,123	-	-	-	-
Volleyball District	-	1,431	1,054	(377)	-	-	-	-
Volleyball summer	941	11,832	8,208	193	4,758	-	-	4,758
Volunteer Background	20	30	50	-	-	-	-	-
World Language	242	2,794	2,549	34	521	-	-	521
Y-Club 8 th Grade	-	10,625	10,271	(235)	119	-	-	119
YMCA	173	3,531	3,660	235	279	-	-	279
Young Republicans	30	-	-	(30)	-	-	-	-
Youth Service Center	<u>97</u>	<u>590</u>	<u>451</u>	<u>49</u>	<u>285</u>	<u>-</u>	<u>-</u>	<u>285</u>
Totals	<u>\$ 96,923</u>	<u>\$ 530,064</u>	<u>\$ 486,047</u>	<u>\$ -</u>	<u>\$ 140,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,940</u>

SHELBY COUNTY 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	Federal Expenditures
Cash expenditures			
<u>U.S. Department of Education</u>			
Kentucky Department of Education:			
Title I	84.010	3100002-13	\$ 540,205
		3100002-12	594,848
		3100202-13	228,681
		3100202-11	19,898
		3133	1,382
		3134	<u>15,840</u>
Subtotal			1,400,854
Migrant Education	84.011	3110002-13	145,409
		3110002-12	17,026
		3110002-11	<u>9,396</u>
Subtotal			171,831
Special Education	84.027	3810002-13	1,040,911
		3810002-12	<u>837</u>
Subtotal			1,041,748
Vocational Education Basic	84.048	3710002-13	31,138
		4621332-13	<u>11,489</u>
Subtotal			42,627
Special Education Preschool	84.173	3800002-13	21,348
		3800002-12	<u>9,383</u>
Subtotal			30,731
Improving Teacher Quality	84.367	3230002-13	193,794
		3200101-12	<u>60,214</u>
Subtotal			254,008
English Language Acquisition	84.365	3300002-13	10,608
		3300002-12	121,408
		3300002-11	<u>10,305</u>
Subtotal			142,321
Rehabilitation Services Vocational Rehabilitation	84.126	3764	50,328
Race to the Top	84.416	3960002-11	4,952

(continued)

SHELBY COUNTY SCHOOL DISTRICT

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
State Personnel Development	84.323	3334D	\$ <u>91,515</u>
Total U.S. Department of Education			3,230,915
<u>U.S. Department of Health and Human Services</u>			
Head Start	93.600	6553	<u>9,805</u>
Total U.S. Department of Health and Human Services			9,805
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Education:			
National School Breakfast Program	10.553	7760005-14 7760005-13	461,672 <u>102,159</u>
Subtotal			563,831
National School Lunch Program	10.555	7750002-14 7750002-13	1,220,713 <u>342,966</u>
Subtotal			1,563,679
Summer Food Service Program for Children	10.559	7690024-13 7740023-13	3,404 <u>34,768</u>
Subtotal			<u>38,172</u>
Total U.S. Department of Agriculture			2,165,682
<u>U.S. Department of Defense</u>			
Promoting K-12 Student Achievement	12.556	4364	<u>152,454</u>
Total U.S. Department of Defense			<u>152,454</u>
Total cash expenditures			5,558,856
Non-cash expenditures			
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Agriculture:			
Food Donation	10.555	Not Provided	<u>115,633</u>
Total federal expenditures			<u>\$ 5,674,489</u>

See accompanying notes.

SHELBY COUNTY 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 includes the federal grant activity of the Shelby County School District and is presented on the modified 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*.

2. Food donation

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. These donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

3. Program clusters

The following programs are considered clusters and are considered in the aggregate for consideration of major program determination:

<u>Cluster Name</u>	<u>CFDA</u>	<u>Total Grant</u>
Special Education	84.027/84.173	\$ 1,072,479
Child Nutrition	10.555/10.553/10.559	2,281,315



**MATHER
& COMPANY**

SOLUTION-DRIVEN CPAs and Business Advisors

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, 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 *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities, and State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request, and Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Shelby County School District (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, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. See Comment 2014-1 in Section II – Financial Statement Findings on page 66.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Kentucky Public School District's Audit Contract and Requirements – State Compliance Requirements*.

We noted certain other matters that we reported to the District's management in a separate letter dated November 7, 2014.

Response to Findings

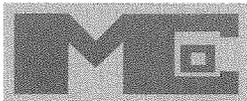
Shelby County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express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

Purpose of this Report

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 7, 2014



**M A T H E R
& C O M P A N Y**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Shelby County School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 7, 2014

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified			
Internal control over financial reporting:				
Material weakness identified	<u>✓</u>	Yes	<u> </u>	No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes	<u>✓</u>	None reported
Noncompliance material to financial statement notes	<u> </u>	Yes	<u>✓</u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	<u> </u>	Yes	<u>✓</u>	No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes	<u>✓</u>	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<u> </u>	Yes	<u>✓</u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education
10.555/10.553/10.559	Child Nutrition

Dollar threshold used to distinguish between Type A and Type B program	\$	300,000		
Auditee qualified as low risk	<u>✓</u>	Yes	<u> </u>	No

(continued)

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED Year ended June 30, 2014

Section II – Financial Statement Findings

2014-1 Statement of deficiency: During fiscal year 2014, the District discovered that a District employee allegedly transferred district funds totaling approximately \$593,000 for her personal use.

Criteria for deficiency: It is alleged, the District payroll clerk generated payroll for a former employee while depositing those same funds into her personal account. After discovery of the improper transfer, the District personnel turned the matter over to the proper legal authorities.

Cause of the deficiency: The transfer was not discovered during budget to actual monitoring.

Effect of the deficiency: The employee allegedly transferred approximately \$593,000 for her personal use.

Recommendation for deficiency: The Commonwealth of Kentucky Auditor of Public Accounts (APA) performed an audit and issued a report titled Examination of Certain Policies, Procedures, Controls, and Financial Activity of Shelby County School District. In this report, the APA issued sixteen findings and recommendations related to this matter. The District is working with the APA to address and implement the recommendations. We recommend the District comply with the APA's recommendations.

Board response: The District has been working with the Kentucky Auditor of Public Accounts (APA) since early June. The School Board has received the APA report on its procedures and recommendations and will continue working with the APA to ensure appropriate changes are enacted.

Section III – Federal Award Findings

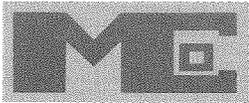
No matters to report.

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2014

There were no prior year audit findings.



**M A T H E R
& C O M P A N Y**

SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
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Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

In planning and performing our audit of the financial statements of the Shelby County School District (District) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements – Auditor Responsibilities, and State Compliance Requirements, Appendix I to Kentucky Public School Districts' Audit Contract and Requirements – Audit Extension Request, and Appendix II to Kentucky Public School Districts' Audit Contract and Requirements – Instructions for Submission of the Audit Report*, we considered the District's internal control over financial reporting and compliance to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the District's internal control over financial reporting. In addition, providing an opinion on compliance was not an objective of our audit, and accordingly, we do not express such an opinion.

However, during our audit we became aware of instances of noncompliance that we do not consider to be material weaknesses or significant deficiencies, but are opportunities for strengthening internal control. In addition, we followed up on matters we noted in our previous audit. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 7, 2014 on the District's financial statements.

Respectfully,

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 7, 2014

SHELBY COUNTY SCHOOL DISTRICT

**MANAGEMENT LETTER COMMENTS
JUNE 30, 2014**

ELEMENTARY, MIDDLE, AND HIGH SCHOOL ACTIVITY FUNDS

Follow-up on Prior Year Findings

Clear Creek Elementary School

2013-1 Prior year comment: During prior year cash disbursements testing, an instance was noted where a check was missing dual signatures.

Current year follow-up: No instances were noted in the current year.

Heritage Elementary School

2013-2 Prior year comment: During prior year receipts testing, an instance was noted where a multiple receipts form did not match the amount deposited.

Current year follow-up: No instances were noted in the current year.

Painted Stone Elementary School

2013-3 Prior year comment: During prior year receipts testing, an instance was noted where a deposit was held for multiple days.

Current year follow-up: No instances were noted in the current year.

2013-4 Prior year comment: During prior year cash disbursements testing, an instance was noted where a check was missing dual signatures.

Current year follow-up: No instances were noted in the current year.

Shelby County High School

2013-5 Prior year comment: During prior year receipts testing, an instance was noted where funds collected at a concession stand were given to a Booster Club.

Current year follow-up: No instances were noted in the current year.

2013-6 Prior year comment: During prior year receipts testing, an instance was noted where a deposit was held for multiple days.

Current year follow-up: No instances were noted in the current year.

Simpsonville Elementary

2013-7 Prior year comment: During prior year receipts testing, an instance was noted where a deposit was held for multiple days.

Current year follow-up: No instances were noted in the current year.

2013-8 Prior year comment: During prior year receipts testing, an instance was noted where a multiple receipts form did not match the amount deposited.

Current year follow-up: No instances were noted in the current year.

Shelby County West Middle School

2013-9 Prior year comment: During prior year receipts testing, an instance was noted where a deposit was held for multiple days.

Current year follow-up: See current year comment 2014-2.

Wright Elementary

2013-10 Prior year comment: During prior year receipts testing, an instance was noted where a multiple receipts form did not match the amount deposited.

Current year follow-up: No instances were noted in the current year.

Current Year Findings

Simpsonville Elementary School

2014-1 Statement of deficiency: During current year disbursements testing, two instances were noted where a Purchase Order was completed subsequent to preparation of the related check.

Criteria for the deficiency: This is not in compliance with Redbook guidelines.

Cause of the deficiency: Redbook policy was not followed.

Effect of the deficiency: The school is at risk for unauthorized expenditures.

Recommendation for correction: District personnel should follow proper Redbook purchasing guidelines.

Board response: We agree the school did not follow proper Redbook guidelines in these instances. The purchase orders were not prepared in advance as required by the Redbook. These purchases were initiated prior to the employment of the current school bookkeeper. She stated that, when the invoices were received, she was aware from training that every payment requires a purchase order. Therefore, she prepared the purchase orders even though it was after the fact. Such a Redbook issue has not occurred since the current school bookkeeper was employed.

West Middle School

2014-2 Statement of deficiency: During current year receipts testing, an instance was noted where non-District personnel held a receipt for two weeks prior to turning the funds over to the bookkeeper.

Criteria for the deficiency: This is not in compliance with Redbook guidelines.

Cause of the deficiency: Redbook policy was not followed.

Effect of the deficiency: The school is at risk for failure to follow proper cash management procedures.

Recommendation for correction: District personnel should follow proper Redbook cash receipts guidelines.

Board response: We agree the school did not follow proper Redbook guidelines in this instance. This occurred with an athletic team and the school principal met with the head coach to discuss the matter and stated this could not happen again. It was the head

coach's wife who held the money for two weeks before submitting the money to the school bookkeeper. The coach has since resigned from this position. The school principal will continue to emphasize to all teachers and coaches the importance of turning in money in accordance with the Redbook.

2014-3 Statement of deficiency: During current year receipts testing, four instances were noted where money was collected from students and the students did not sign the multiple receipts form.

Criteria for the deficiency: This is not in compliance with Redbook guidelines.

Cause of the deficiency: Redbook policy was not followed.

Effect of the deficiency: The school is at risk for failure to follow proper cash management procedures.

Recommendation for correction: District personnel should follow proper Redbook cash receipts guidelines.

Board response: We agree the school did not follow proper Redbook guidelines in these instances. These issues involved two teachers, with one teacher responsible for three of the four instances. The school principal has met with these teachers and emphasized that this requirement is for the teacher's protection as much as anything else. The school principal has emphasized and will continue to periodically stress the importance of adhering to this Redbook requirement to school personnel.

2014-4 Statement of deficiency: During current year disbursements testing, two instances were noted where a Purchase Order was completed subsequent to the check being written.

Criteria for the deficiency: This is not in compliance with Redbook guidelines.

Cause of the deficiency: Redbook policy was not followed.

Effect of the deficiency: The school is at risk for unauthorized expenditures.

Recommendation for correction: District personnel should follow proper Redbook purchasing guidelines.

Board response: We agree the school did not follow proper Redbook guidelines in these instances. These issues occurred during a time of transition to a new school bookkeeper. These instances appear to be isolated in nature and the current school bookkeeper is stringently enforcing the requirement for a purchase order to be prepared in advance.

Collins High School

2014-5 Statement of deficiency: During current year receipts testing, five instances were noted where money was collected from students and the students did not sign the multiple receipt form.

Criteria for the deficiency: This is not in compliance with Redbook guidelines.

Cause of the deficiency: Redbook policy was not followed.

Effect of the deficiency: The school is at risk for failure to follow proper cash management procedures.

Recommendation for correction: District personnel should follow proper Redbook cash receipts guidelines.

Board response: We agree the school did not follow proper Redbook guidelines in these instances. These issues involved five different teachers, and only two of them are still employed by the school district. The principal has emphasized to all teachers, particularly these two teachers, and coaches that students must sign for themselves on these forms.

Central Office

2014-6 Statement of deficiency: During current year testing, six instances were noted where there was no signed contract in the personnel file. During fiscal 2013, the Personnel Department converted personnel files to paperless files by scanning documents. Per the Personnel Department these missing contracts were simply missed in the scanning process.

Criteria for the deficiency: This is not in compliance with Board and Kentucky Department of Education policy.

Cause of the deficiency: Board and Kentucky Department of Education policy was not followed.

Effect of the deficiency: The school is at risk for failure to follow proper personnel procedures.

Recommendation for correction: We recommend every personnel file is examined to ensure all employees are working under a signed contract.

Board response: During the district change over to digitized personnel folders we did not keep a paper copy of all documents in the personnel file. We do have a personnel consideration sheet for backup of each of the contracts. We have made sure that the documents as required by records retention guidelines are followed. We have a tracking system of those employees who do not return their contracts and a next steps plan is now included to secure contracts that are not returned when issued.