

SIMPSON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2014

SIMPSON COUNTY SCHOOL DISTRICT

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Members of the Board of Education
Simpson County School District
Franklin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Simpson County School District 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 accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 3 through 19 and 50 through 51 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 Simpson County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2014, on our consideration of Simpson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County School District's internal control over financial reporting and compliance.



Certified Public Accountants
Elizabethtown, Kentucky
August 19, 2014

REQUIRED SUPPLEMENTARY INFORMATION



**SIMPSON COUNTY SCHOOL DISTRICT
FRANKLIN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the Simpson County Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

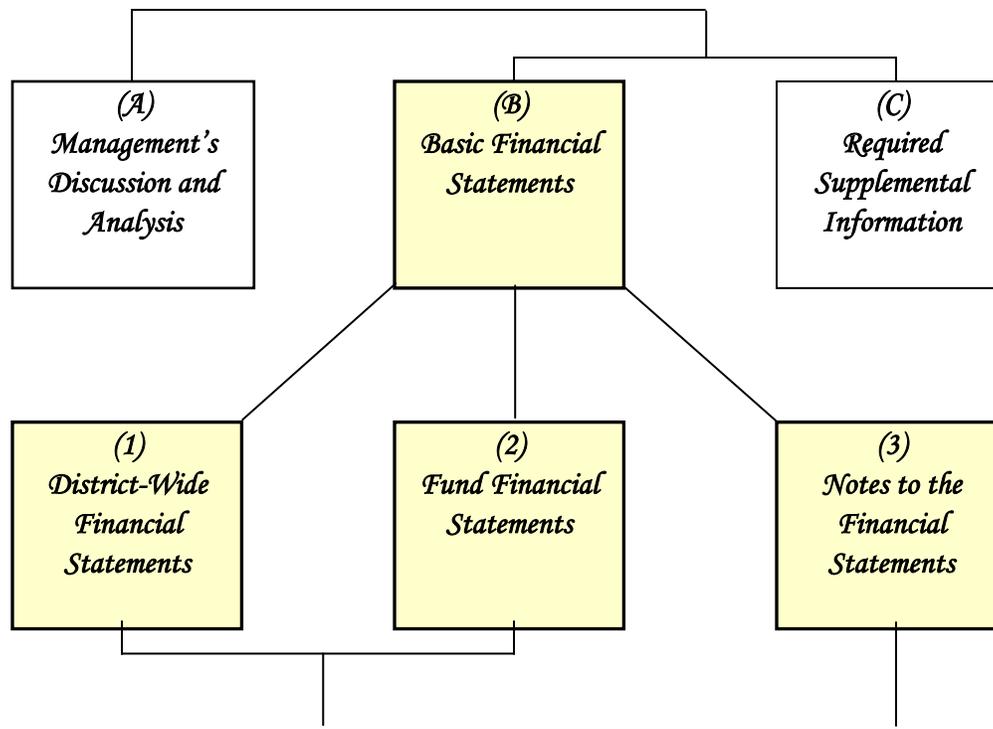
FINANCIAL HIGHLIGHTS

- The beginning General Fund fund balance for the District was \$3,371,522. The ending General Fund balance was \$3,644,734.
- The majority of General Fund revenues were derived from state sources (66.1%) and local taxes (33.1%). Regular instruction, student support services, instructional support services and school administration account for 77% of the General Fund expenditures. Pupil Transportation expenditures were 6%, maintenance and operations 11%, business functions 3%, and central office support, non-instructional, and fund transfers making up the remaining 3%.
- One continued concern is the impact of unfunded mandates without the compensating increase in SEEK which causes a reflection in the growth of expenses each year. SEEK is an acronym for Support Educational Excellence in Kentucky and is the state formula for funding schools. Salaries and benefits are recurring expenses that will continue to be an issue to the district to maintain quality employees without the State support of proper funding of mandates which can cause a drain on our resources.
- There is a noticeable difference reported between the budgetary and the actual revenue and expenditures due to reporting requirements mandated by the Kentucky Department of Education's (KDE) implementation of GASB regulations. The state's contribution for items including pension, technology, health care costs, operation costs and debt service totaled \$5,157,736 for all funds and is included in the district's revenues and expenditures. These are recorded within the audit as "On-Behalf Payments".
- The Capital Outlay and Facility Support Program of Kentucky (FSPK) Fund remained at a minimum due to utilization of restricted funds for renovations and improvement of facilities.
- There were two completed facility improvement and building projects in the Simpson County School District during the 2013-2014 school year. The District has finished construction on Phase I of the Fine Arts Center (including a band and chorus room), and an Athletic Field House including major repairs on the Football Stadium and a new concessions building. The District is in the beginning stage of constructing a new Greenhouse. All projects are on the Franklin-Simpson High School Campus.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Simpson County Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis, (B) the basic financial statements and related notes (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances can be found on starting on page 20. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column which can be found starting on page 22.

Notes to Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 30 of this report.

Reporting the School District as a Whole

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

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

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

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

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$14,574,404 as of June 30, 2014. This was an increase of \$657,286 over the previous year.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net related of debt was \$10,095,267. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The proprietary fund consists of the school food fund, community education, enrichment and the daycare fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Simpson County School District are the general fund, special revenue (grants), and construction fund.

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

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

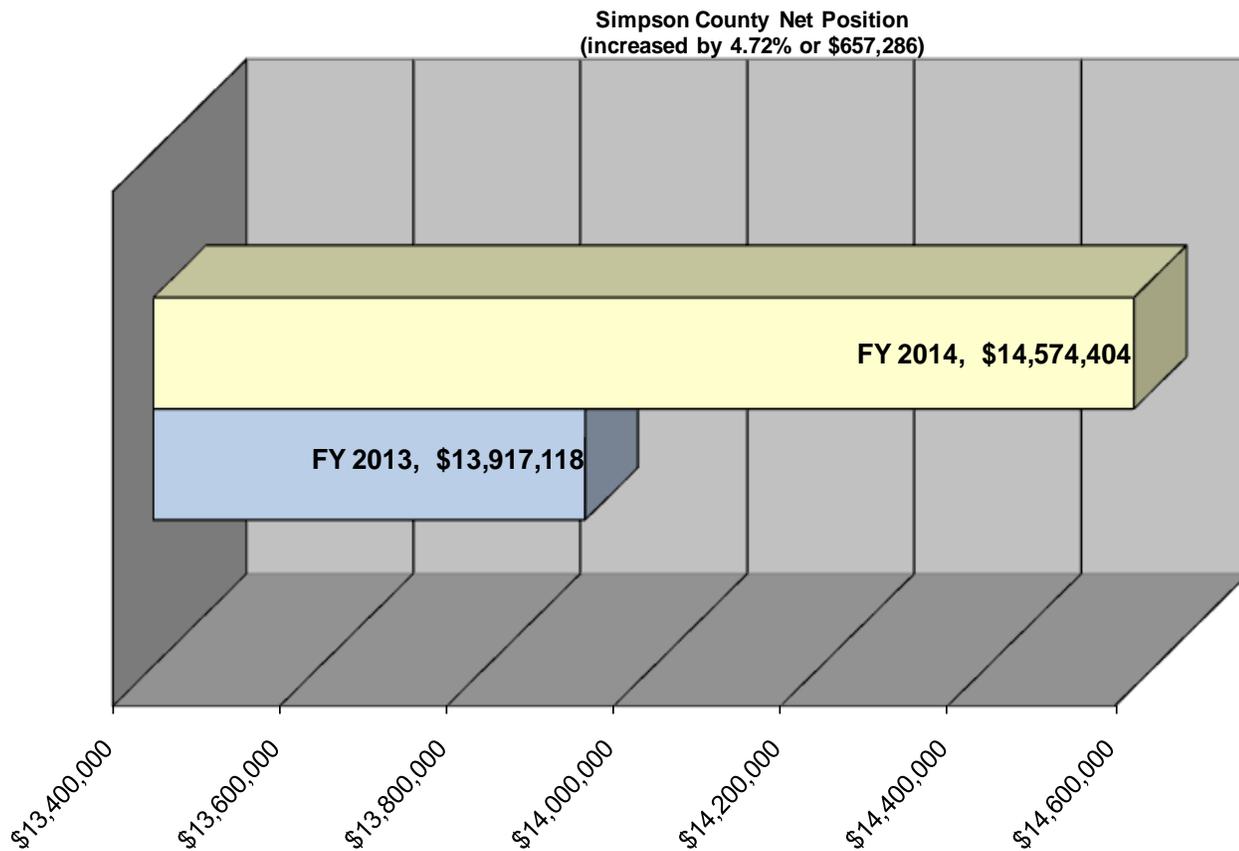
Fiduciary Funds – The schools' activity funds and District scholarship accounts (or agency funds) are the District's fiduciary funds. The fiduciary fund liabilities at yearend total \$245,920 (an increase of \$89,802 from the previous year).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the period ending June 30, 2014 and June 30, 2013

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	2013-2014
Current & Other Assets	\$ 4,411,177	\$ 4,241,227	\$ 498,182	\$ 580,531	\$ 4,909,359	\$ 4,821,758	-1.78%
Capital Assets	30,442,861	31,432,555	230,047	191,673	30,672,908	31,624,228	3.10%
Total Assets	34,854,038	35,673,782	728,229	772,204	35,582,267	36,445,986	2.43%
Deferred Outflows	780,130	789,514	-	-	780,130	789,514	1.20%
Long Term Liabilities	20,176,872	20,125,024	-	-	20,176,872	20,125,024	-0.26%
Other Liabilities	2,163,053	2,448,193	4,209	371	2,167,262	2,448,564	12.98%
Total Liabilities	22,339,925	22,573,217	4,209	371	22,344,134	22,573,588	1.03%
Deferred Inflows	101,145	87,508	-	-	101,145	87,508	-13.48%
Investment in Capital Assets (net of debt)	10,215,540	9,903,594	230,047	191,673	10,445,587	10,095,267	-3.35%
Restricted	766,918	255,778	-	-	766,918	255,778	-66.65%
Unrestricted	2,210,640	3,643,199	493,973	580,160	2,704,613	4,223,359	56.15%
Total Net Position	\$ 13,193,098	\$ 13,802,571	\$ 724,020	\$ 771,833	\$ 13,917,118	\$ 14,574,404	4.72%

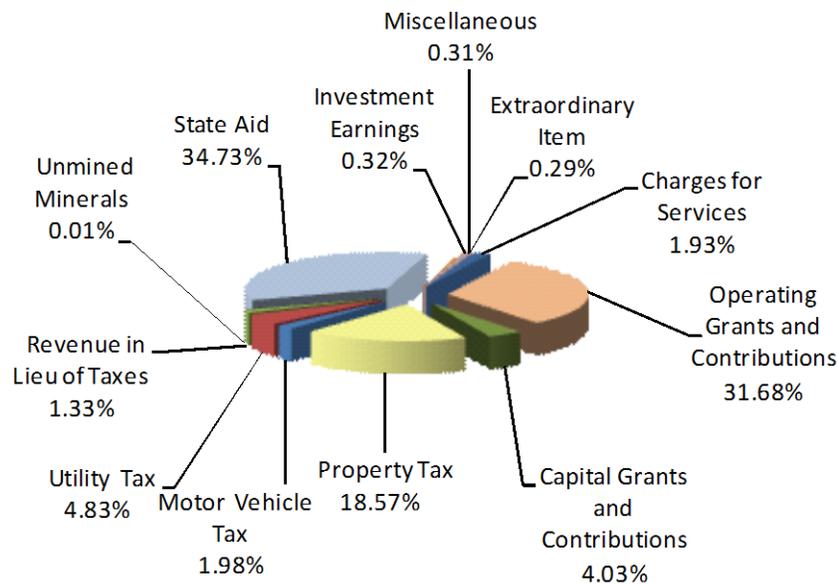
At year-end assets exceeded liabilities by \$14,574,404.



Changes in Net Position for June 30, 2013 and June 30, 2014

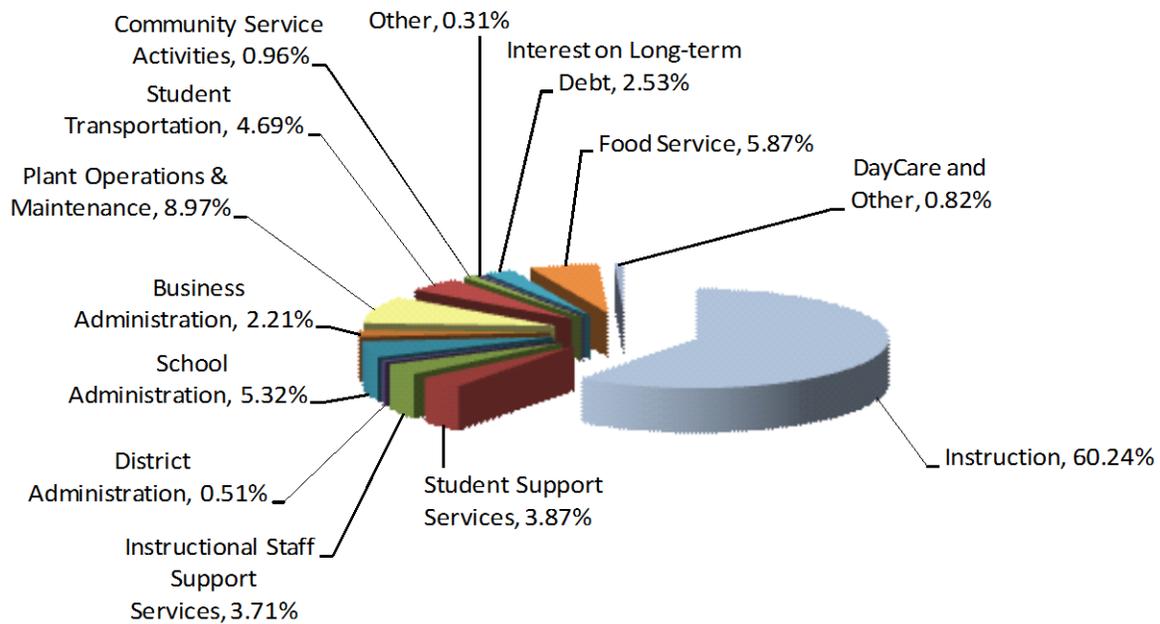
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	2013-14
Revenues							
Program Revenues							
Charges for Services	\$19,817	\$0	\$648,594	\$570,654	\$668,411	\$570,654	-14.63%
Operating Grants and Contributions	7,648,553	7,953,143	1,359,903	1,403,267	9,008,456	9,356,410	3.86%
Capital Grants and Contributions	1,347,588	1,190,088	-	-	1,347,588	1,190,088	-11.69%
General Revenue							
Property Tax	5,175,436	5,482,834	-	-	5,175,436	5,482,834	5.94%
Motor Vehicle Tax	564,979	585,627	-	-	564,979	585,627	3.65%
Utility Tax	1,478,104	1,425,258	-	-	1,478,104	1,425,258	-3.58%
Revenue in Lieu of Taxes	370,823	392,302	-	-	370,823	392,302	5.79%
Unmined Minerals	1,305	1,485	-	-	1,305	1,485	13.79%
State Aid	10,605,595	10,254,887	-	-	10,605,595	10,254,887	-3.31%
Investment Earnings	66,550	91,438	3,519	4,522	70,069	95,960	36.95%
Miscellaneous	164,100	90,236	3,524	-	167,624	90,236	-46.17%
Extraordinary Item	(220,577)	84,308	-	-	(220,577)	84,308	-138.22%
Total Revenues	\$27,222,273	\$27,551,606	\$2,015,540	\$1,978,443	\$29,237,813	\$29,530,049	1.00%

Sources of Revenue



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	2013-2014
Instruction	\$ 17,218,823	\$ 17,391,704	\$ -	\$ -	\$ 17,218,823	\$ 17,391,704	1.00%
Support Services:							
Student Support Services	1,090,466	1,117,127	-	-	1,090,466	1,117,127	2.44%
Instructional Staff Support Services	989,071	1,070,511	-	-	989,071	1,070,511	8.23%
District Administration	534,003	147,446	-	-	534,003	147,446	-72.39%
School Administration	1,550,980	1,535,477	-	-	1,550,980	1,535,477	-1.00%
Business Administration	658,372	639,465	-	-	658,372	639,465	-2.87%
Plant Operations & Maintenance	2,567,465	2,588,874	-	-	2,567,465	2,588,874	0.83%
Student Transportation	1,364,957	1,352,973	-	-	1,364,957	1,352,973	-0.88%
Community Service Activities	273,221	277,619	-	-	273,221	277,619	1.61%
Other	97,308	89,769	-	-	97,308	89,769	-7.75%
Interest on Long-term Debt	789,252	731,168	-	-	789,252	731,168	-7.36%
Food Service	-	-	1,653,397	1,695,077	1,653,397	1,695,077	2.52%
DayCare and Other	-	-	264,548	235,553	264,548	235,553	-10.96%
Total Expenses	\$ 27,133,918	\$ 26,942,133	\$ 1,917,945	\$ 1,930,630	\$ 29,051,863	\$ 28,872,763	-0.62%

Expenses



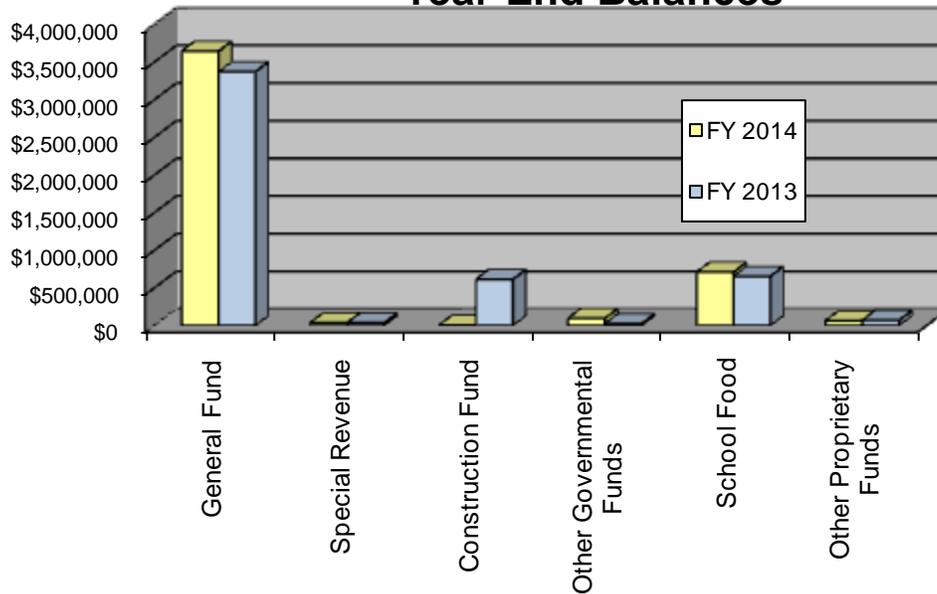
- The District's total revenues were \$29,530,049 and the total expenses were \$28,872,763. Revenues exceeded expenses by \$657,286.
- State aid revenues accounted for 35%, operating grants & contributions accounted for 32%, and local taxes accounted for 27% of total revenue.
- Instruction was the major expense category and accounted for 60% of the total.
- Food Service revenues exceeded expenses by \$54,842 resulting in a profit. Day Care expenses exceeded revenues by \$7,029.

Financial Analysis of the District Funds

End-of-Year Fund Balances

	FY 2013	FY 2014	Amount of Change	% Change
General Fund	\$3,371,522	\$3,644,734	\$273,212	8%
Special Revenue	\$35,818	\$39,788	\$3,970	11%
Construction Fund	\$613,767	\$5,764	(\$608,003)	-99%
Other Governmental Funds	\$25,526	\$95,030	\$69,504	272%
School Food	\$654,623	\$709,465	\$54,842	8%
Other Proprietary Funds	\$69,397	\$62,368	(\$7,029)	-10%

Year-End Balances



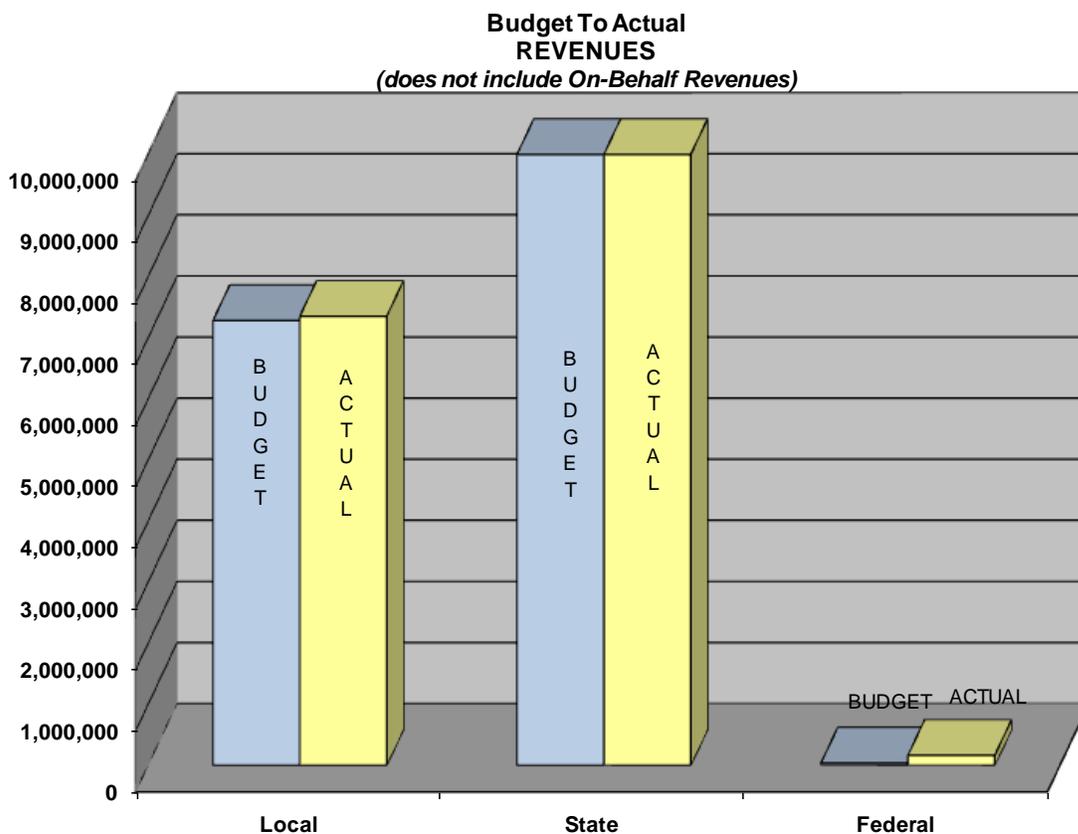
- The General Fund's fund balance showed an increase in fund balance of \$273,212. This reflects an increase in federal (Medicaid revenues) and local revenues while expenditures stayed within budgeted amounts.
- The Special Revenue fund balance showed a increase of \$3,970. Projects in the Special Revenue fund are zeroed at year-end with the exception of the KETS Technology project(s).
- Construction fund and other governmental funds showed a net decrease in fund balance of \$538,499. This consists mainly of construction funds which are restricted funds to be used for construction and renovation projects outlined by the District Facility Plan. There was no construction in progress at year-end.
- Other Proprietary Funds, which includes the District Daycare operation, had a decrease in funds of \$7,029, while the School Food Fund had an increase of \$54,842.

Comments on General Fund Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2014, net of interfund transfers, were \$17,769,577. This is \$190,033 more than was budgeted in the final working budget. The District budgeted conservatively in its local revenues and received \$68,985 (1%) more than budget. Local revenues account for 41% of general fund revenues. The District received \$2,920 less and \$123,968 more than budgeted amounts in state and federal (Medicaid) revenues, respectively.
- Expenditures were less than budgeted by \$1,714,048. The main reason is that contingencies of \$1,722,643 were budgeted and not intended to be spent.
- The General Fund's ending actual balance was \$273,212 more than the prior year.
- The Final Budget and the Original Budget differ primarily because the Original (Tentative) Budget is prepared by the end of May for the next school year and the Final Budget (prepared in September) contains Board approved amendments.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not expended at the end of the previous year.

	BUDGET	ACTUAL
Local	\$ 7,281,737	\$ 7,350,722
State	\$ 10,257,807	\$ 10,254,887
Federal	\$ 40,000	\$ 163,968
TOTAL	\$ 17,579,544	\$ 17,769,577
	DIFFERENCE	\$ 190,033

(does not include On-Behalf Revenues)



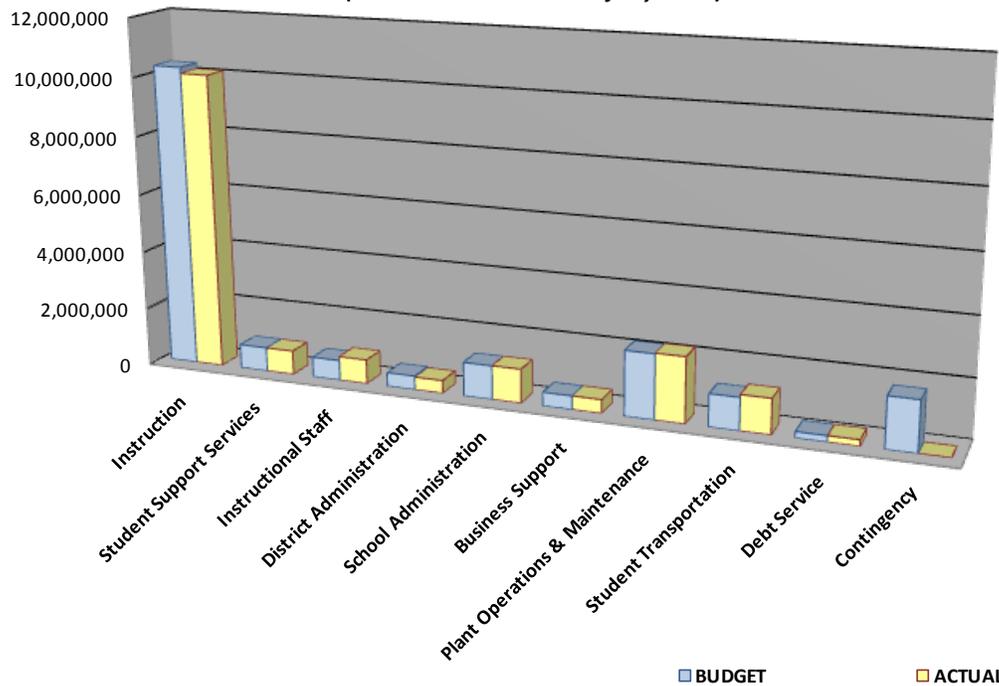
General Fund Budget Comparisons (continued)

Expenditures	BUDGET	ACTUAL
Instruction	\$ 10,313,868	\$ 10,105,794
Student Support Services	\$ 824,682	\$ 821,142
Instructional Staff	\$ 690,842	\$ 828,249
District Administration	\$ 471,321	\$ 434,974
School Administration	\$ 1,156,667	\$ 1,159,712
Business Support	\$ 464,451	\$ 463,483
Plant Operations & Maintenance	\$ 2,205,966	\$ 2,229,251
Student Transportation	\$ 1,104,245	\$ 1,198,002
Debt Service	\$ 208,500	\$ 208,530
Contingency	\$ 1,722,643	\$ -
	\$ 19,163,185	\$ 17,449,137
	DIFFERENCE	\$ (1,714,048)

(does not include On-Behalf Payments)

Budget to Actual Expenditures

(does not include On-Behalf Payments)



The following tables present a summary of revenue and expenditures (including on-behalf receipts/expenditures) of the General Fund for the fiscal year ended June 30, 2014.

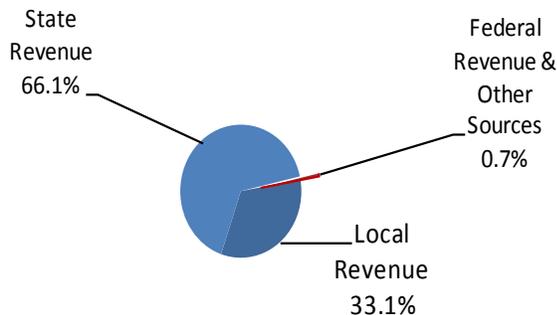
Revenues:

Local Revenue:		\$ 7,350,722
Taxes		
Property	\$ 4,852,425	
Motor Vehicle	585,627	
Utilities	1,425,258	
Revenue in Lieu of Taxes	392,302	
Unmined Minerals	1,485	
Earnings on Investments	70,433	
Other Local Revenue	23,192	
State Revenue		14,677,306
Federal Revenue & Other Sources		163,968
Total Revenues		<u>\$22,191,996</u>

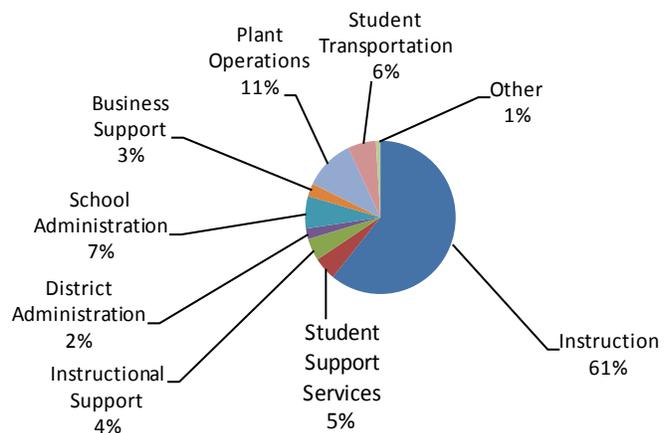
Expenditures:

Instruction		\$ 13,305,906
Support Services:		
Student Support Services	1,074,659	
Instructional Support	1,021,930	
District Administration	483,106	
School Administration	1,493,676	
Business Support	603,972	
Plant Operations	2,357,237	
Student Transportation	1,322,540	
Other Non-instruction	208,530	
Total Expenditures		<u>\$21,871,556</u>

GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES



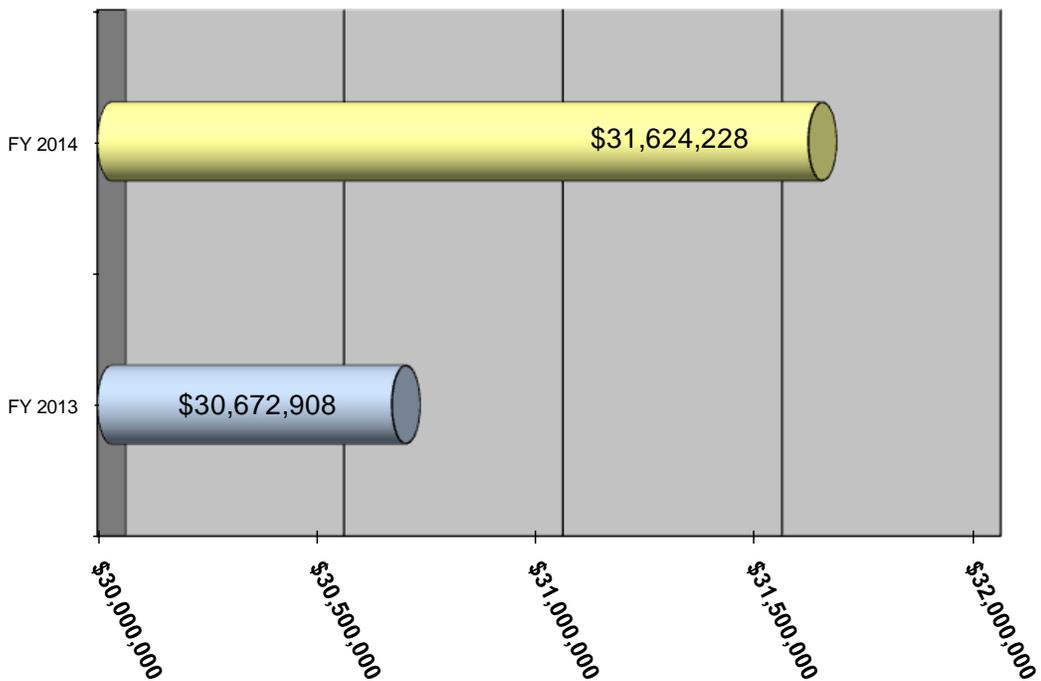
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2014, the district had invested \$51,716,530 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The accumulated depreciation was a total of \$20,092,302. This district had no construction in progress throughout the district at June 30, 2014.

Capital Assets (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	2013-2014
Land & Land Improvements	\$ 696,080	\$ 599,519	\$ -	\$ -	\$ 696,080	\$ 599,519	-13.9%
Construction in Progress	\$ 154,675	\$ -	\$ -	\$ -	\$ 154,675	\$ -	-100.0%
Buildings	\$ 27,613,129	\$ 28,938,445	\$ -	\$ -	\$ 27,613,129	\$ 28,938,445	4.8%
Equipment and Furniture	\$ 922,970	\$ 853,943	\$ 230,047	\$ 191,673	\$ 1,153,017	\$ 1,045,616	-9.3%
Vehicles	\$ 1,056,007	\$ 1,040,648	\$ -	\$ -	\$ 1,056,007	\$ 1,040,648	-1.5%
Total Assets	\$ 30,442,861	\$ 31,432,555	\$ 230,047	\$ 191,673	\$ 30,672,908	\$ 31,624,228	3.1%

**Capital Assets
(Increase of 3.1%)**



Long-Term Debt

At year-end the district had \$21.6 million in general obligation bonds outstanding.

General Obligation Bonds:		Governmental Activites FY 2013	Governmental Activites FY 2014
Series 2002	Re-funding of 1993 Issue (Additions and Renovation to Lincoln Elementary)	\$ -	\$ -
Series 2005	Renovations for Simpson Elem, F-S Middle School	\$ 1,160,000	\$ 590,000
Series 2006	Improvements at Franklin Elementary - Phase I	\$ 4,770,000	\$ 4,560,000
Series 2007	Improvements at Franklin Elementary - Phase II	\$ 325,000	\$ 310,000
Series 2007R	Partially Refinanced Series 2000 Bonds	\$ 1,685,000	\$ 1,470,000
Series 2010	Franklin-Simpson High School Gymnasium	\$ 4,645,000	\$ -
Series 2012	Re-funding of 2005 Issue	\$ 7,365,000	\$ 7,250,000
Series 2013	FSHS Fine Arts and Remodel of Football Stadium	\$ -	\$ 1,735,000
Series 2014	Re-funding of 2010 Issue	\$ -	\$ 4,680,000
KISTA		\$ 1,070,110	\$ 1,068,457
TOTAL		\$ 21,020,110	\$ 21,663,457

BUDGETARY IMPLICATIONS

A fundamental principle of finance is a balanced budget. It is important not to spend more than is received. Unknown circumstances sometimes arise that require expenses in a year that exceed revenues. It is extremely important that the district continue to budget very conservatively. The district receives approximate 46% of its general fund revenue each year through the state funding formula (SEEK). There have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 22% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the sixth-eighth months of the school year. This means the general fund's beginning fund balance must be used to absorb much of the first five months of expenditures in the school year. Provisions must always be made to have a significant fund beginning balance to start each year. The General Fund has an ending fund balance of \$3,644,734 being brought forward as a beginning balance for next year to continue to effectively maintain quality programs. Some of this surplus is already obligated due to the recurring increase cost of salaries.

By law the budget must have a minimum 2% contingency, but it is recommended that a higher contingency be maintained. The beginning fund balance at the beginning of the 2015 fiscal year is \$3,644,734 (comprised of nonspendable, restricted, committed, assigned and unassigned funds). Significant Board action that impacts the

finances include the approval of the construction of a new Franklin-Simpson High School Greenhouse and general fund matching dollars for state and federal grants. The district currently participates in over thirty federal and state grants. All federal funds received by Simpson County are restricted for specific purposes. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant upfront and then apply for reimbursement. At year-end, the District's General Fund was due \$314,765 from other funds. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements. In addition, decisions about allocation of funds held in reserve for annual expense must always consider the implication of recurring expense. Personnel expenses are a classic example of recurring expense. Also, additional contingency is required due to the age of the district's buildings where unanticipated major repairs could arise to maintain up-to-date facilities and a good learning environment for all students. Simpson County Schools has made a continuous effort to increase pay raises above the state minimum requirement to compete more with surrounding districts in attracting the best and talented educators. The district's policy of maintaining a strong reserve resulted in no cutbacks or layoffs as a result of reduced state funding.

DISTRICT CHALLENGES FOR THE FUTURE

The economy continues to be an area of concern for all types of organizations and individuals, including our school system. State and federal revenues have been declining. Through the work of Kentucky Governor Steve Beshear and the General Assembly, K-12 education received a much needed boost in funding. Though it fell short of replacing all of the funding that has been reduced over the past 7 years, it was a step in the right direction. The federal outlook is not as clear as there has been little progress on reauthorizing the Elementary and Secondary Education Act (most recently called NCLB). Though our Federal delegates staved off the sequestration cuts, there is still serious uncertainty to our Title 1 and IDEA programs that support intervention services for our most needy students. I applaud the vision and courage of the members of the Simpson County Board of Education members and the citizens of Simpson County for supporting the 4% tax rate! Though Simpson County Schools receives less revenue per pupil than most districts in Kentucky, our local efforts have improved our revenue standing within Kentucky. This is important as our students deserve the same opportunities and resources other kids receive. With this important investment in our youth, we can continue our march forward of providing our students in Simpson County with a world-class, high quality education that is second to none.

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

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

1. ***Do we have a clear plan for building positive, professional relationships with students, their families and one another?***
2. ***Do we have clear procedures for making sure we are teaching the standards that we expect all students to know and be able to do in order to graduate college and/or career ready?***
3. ***Do we have clear procedures for making sure our students have learned the standards?***

4. ***Do we have clear procedures for making sure we “fix it” when students struggle learning and meeting the standards?***
5. ***Do we have clear procedures for providing enrichments and “stretch” learning for students who are already meeting or exceeding the standards?***

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

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

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

- We will continue to refine and renew the district curriculum through on-going planned sessions to further develop our resources, curricular units and assessments around each content standard, specifically the new common core standards in reading and math, as well as the new standards in science and social studies as those are released.
- We have implemented district-wide learning checks and common assessments to monitor student progress on the district curriculum. We have planned these learning checks to occur at least quarterly.
- We are implementing Pre/Post testing in Reading, Language and Math in Grades K-8 for all students to measure individual student growth over the year. We are using the STAR Enterprise Assessment to provide diagnostic information that will help teachers deliver targeted instruction to meet individual learner needs.
- At the high school level we are implementing Pre/Post assessment using the PLAN and ACT series to help ensure every graduate is ready for post secondary training. Additionally, we have ramped up our Advanced Placement course offerings and implemented a partnership with the Franklin Center of Southcentral Community and Technical College to offer dual credit college courses for students. Through these and other programs, students at FSHS earned over 900 hours of college credit last year!
- Our Professional Learning Community (PLC) Work will bring teachers together in collegial work groups to analyze student work and results on classroom assessments and use the data to inform instruction, share and celebrate successful strategies, as well as identify students who need remediation or enrichment in an area. Ultimately, we want to achieve common formative and summative assessments in like courses/content areas that are aligned to the district curriculum and use the results from these assessments to inform instruction and identify students for interventions/enrichments...

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

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

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

- We will continue our work with *Thoughtful Education and other high-yield strategies*, refining our efforts to design effect lessons and units of study around the district curriculum using research-based instructional strategies and engaging resources. We will use time during the

work-day for job embedded staff development to work on this and other important initiatives for raising student achievement. One important initiative that ties together the curriculum, instruction and assessment practices around high levels of student engagement our *Designing Student Engagement* work with John Antonetti.

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

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

In our quest to our students, staff and visitors with high quality school facilities, we have completed improvements to almost every school building in our district over the past 8 years. Our current District Facilities Plan approved in the spring of 2011 has as its top priority a new performing arts center for the high school. We completed the construction of the first phase of this project with a new band room and chorus room which opened in January 2014. This music suite was a great addition to the new competition gym/physical education/student wellness center at FSHS in June of 2011. We sincerely hope the General Assembly will consider measures to address adequate facility funds in a manner that will be equitable for school districts across the state. An adequate and equitable funding system would provide the resources necessary to do all of our priority one projects in our current District Facilities Plan. Simpson County Schools will convene its Local Planning Committee this school year to update and develop a new District Facilities Plan in the spring of 2015.

Due to the economic recession over the last 7 years, district funding has been and continues to be a serious issue facing our school system. Though our school system has consistently ranked in the bottom 5% to 26% of the state in total per pupil funding, we have operated our district efficiently and wisely which has allowed us to maintain a healthy budget. Consequently, we have been able to maintain most of our programs and services for students without making any major cuts. We have implemented serious "belt tightening" strategies to help us maintain critical programs for our students. Some key areas we must keep our focus on to maximize our funding are:

- ✓ **Improving student attendance** – we need students to be at school in order to teach them. At the same time, our funding mechanism is dependent on student attendance rates. We need our student to attend school every day possible. Good student attendance will improve learning results and our financial outlook. In recent years, we are achieving record-breaking attendance rates!
- ✓ **Reducing substitute costs** by improving staff attendance. Just like our students, we need our staff present every day possible to deliver on our mission while saving on the cost of providing a substitute.
- ✓ **Initiating a district-wide Energy Savings Program and Promotion** to encourage saving energy by turning off lights, computers, SMART boards and projectors when not in use... We need to instill an awareness and commitment to energy efficiency among every person in our school system!

- ✓ **Initiating a “Pay to Save” program** rewarding staff members and/or students who come up with cost-saving strategies that are proven to save money!
- ✓ **Selling our surplus equipment** – we plan to scour the district for unused items and have a big sale/auction. We can raise revenues and remove clutter at the same time!

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to Jim Flynn, Superintendent or Amanda Deweese, Finance Director (270) 586-8877, 430 South College St., Franklin, KY, 42134.

BASIC FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 3,524,899	\$ 493,073	\$ 4,017,972
Inventory		40,146	40,146
Prepaid expenses	341		341
Receivables:			
Accounts		2,387	2,387
Taxes-current	158,904		158,904
Taxes-delinquent	71,315		71,315
Other receivables	4,425		4,425
Intergovernmental-State	19,773		19,773
Intergovernmental-Indirect Federal	461,570	44,925	506,495
Total Current Assets	4,241,227	580,531	4,821,758
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	606,981		606,981
Depreciable capital assets, net of accumulated depreciation	30,825,574	191,673	31,017,247
Total Noncurrent Assets	31,432,555	191,673	31,624,228
Total Assets	35,673,782	772,204	36,445,986
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	789,514		789,514
Total Deferred Outflows of Resources	789,514	-	789,514
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	213,030	371	213,401
Accrued payroll and related expenses	148,701		148,701
Unearned revenue	94,180		94,180
Bond obligations	1,310,000		1,310,000
Capital lease obligations	193,301		193,301
Compensated absences	140,832		140,832
KSBIT	136,269		136,269
Interest payable	211,880		211,880
Total Current Liabilities	2,448,193	371	2,448,564
<u>Noncurrent Liabilities</u>			
Bond obligations	19,150,504		19,150,504
Capital lease obligations	875,156		875,156
Compensated absences	99,364		99,364
Total Noncurrent Liabilities	20,125,024	-	20,125,024
Total Liabilities	22,573,217	371	22,573,588
<u>Deferred Inflows of Resources</u>			
Deferred gain on bonds	87,508		87,508
Total Deferred Inflows of Resources	87,508	-	87,508
<u>Net Position</u>			
Net investment in capital assets	9,903,594	191,673	10,095,267
Restricted	255,778		255,778
Unrestricted	3,643,199	580,160	4,223,359
Total Net Position	\$ 13,802,571	\$ 771,833	\$ 14,574,404

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

SIMPSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 17,391,704	\$ -	\$ 6,101,978	\$ -	\$ (11,289,726)	\$ -	\$ (11,289,726)
Support services:							
Student	1,117,127		296,083		(821,044)		(821,044)
Instruction staff	1,070,511		241,088		(829,423)		(829,423)
District administrative	147,446		48,131		(99,315)		(99,315)
School administrative	1,535,477		374,744		(1,160,733)		(1,160,733)
Business	639,465		121,222		(518,243)		(518,243)
Plant operation and maintenance	2,588,874		131,734		(2,457,140)		(2,457,140)
Student transportation	1,352,973		149,710		(1,203,263)		(1,203,263)
Community service activities	277,619		277,619		-		-
Facility acquisition and construction				592,925	592,925		592,925
Other	89,769		210,834		121,065		121,065
Interest on long-term debt	731,168			597,163	(134,005)		(134,005)
Total Governmental Activities	26,942,133	-	7,953,143	1,190,088	(17,798,902)	-	(17,798,902)
Business-Type Activities:							
Food service	1,695,077	374,233	1,371,164			50,320	50,320
Daycare	235,553	196,421	32,103			(7,029)	(7,029)
Total Business-Type Activities	1,930,630	570,654	1,403,267	-	-	43,291	43,291
Total Primary Government	\$ 28,872,763	\$ 570,654	\$ 9,356,410	\$ 1,190,088	(17,798,902)	43,291	(17,755,611)
General Revenues:							
Taxes:							
					5,482,834		5,482,834
					585,627		585,627
					1,425,258		1,425,258
					392,302		392,302
					1,485		1,485
					91,438	4,522	95,960
					10,254,887		10,254,887
					90,236		90,236
					84,308		84,308
					18,408,375	4,522	18,412,897
					609,473	47,813	657,286
					13,193,098	724,020	13,917,118
					<u>\$ 13,802,571</u>	<u>\$ 771,833</u>	<u>\$ 14,574,404</u>

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

FUND FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 3,424,105	\$ -	\$ 100,794	\$ 3,524,899
Receivables:				
Taxes - current	158,904			158,904
Taxes - delinquent	71,315			71,315
Other receivables	3,044	1,381		4,425
Intergovernmental - State		19,773		19,773
Intergovernmental - Indirect Federal	2,423	459,147		461,570
Due from other funds	314,765			314,765
Prepays	341			341
Total Assets	\$ 3,974,897	\$ 480,301	\$ 100,794	\$ 4,555,992
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 181,462	\$ 31,568	\$ -	\$ 213,030
Due to other funds		314,765		314,765
Accrued payroll and related expenses	148,701			148,701
Unearned revenue		94,180		94,180
Total Liabilities	330,163	440,513	-	770,676
Fund Balances				
Nonspendable	341			341
Restricted	115,196	39,788	100,794	255,778
Committed	1,469,140			1,469,140
Assigned	104,323			104,323
Unassigned	1,955,734			1,955,734
Total Fund Balances	3,644,734	39,788	100,794	3,785,316
Total Liabilities and Fund Balances	\$ 3,974,897	\$ 480,301	\$ 100,794	\$ 4,555,992

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

SIMPSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2014

Total fund balance per fund financial statements	\$ 3,785,316
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	31,432,555
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	789,514
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized gains on refundings are reported on the statement of net position as deferred inflows of resources.	(87,508)
Bonds payable (net of discounts/premiums)	(20,460,504)
Capital lease obligations	(1,068,457)
Interest payable	(211,880)
Compensated absences	(240,196)
KSBIT	<u>(136,269)</u>
Net position for governmental activities	<u>\$ 13,802,571</u>

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 4,852,425	\$ -	\$ 630,409	\$ 5,482,834
Motor vehicle	585,627			585,627
Utilities	1,425,258			1,425,258
Revenue in lieu of taxes	392,302			392,302
Unmined minerals	1,485			1,485
Tuition and fees		12,356		12,356
Earnings on investments	70,433	336	20,669	91,438
Other local revenues	23,192	62,964	67,045	153,201
Intergovernmental - State	14,677,306	1,172,065	1,104,482	16,953,853
Intergovernmental - Indirect Federal	163,968	2,119,772		2,283,740
Intergovernmental - Direct Federal			85,206	85,206
Total Revenues	22,191,996	3,367,493	1,907,811	27,467,300
Expenditures:				
Instruction	13,305,906	3,006,411	11,784	16,324,101
Support services:				
Student	1,074,659	42,567		1,117,226
Instruction staff	1,021,930	47,407		1,069,337
District administrative	483,106			483,106
School administrative	1,493,676	40,780		1,534,456
Business	603,972	33,055		637,027
Plant operation and maintenance	2,357,237	3,749		2,360,986
Student transportation	1,322,540	25,172		1,347,712
Community service activities		277,619		277,619
Other non-instruction	208,530			208,530
Facilities acquisition and construction			2,306,057	2,306,057
Bond issuance costs			60,690	60,690
Debt service:				
Principal			1,210,000	1,210,000
Interest			778,984	778,984
Total Expenditures	21,871,556	3,476,760	4,367,515	29,715,831
Excess (Deficit) of Revenues over Expenditures	320,440	(109,267)	(2,459,704)	(2,248,531)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	14,792			14,792
Capital lease proceeds	177,794			177,794
Bond proceeds from revenue bonds			1,735,000	1,735,000
Bond proceeds from refunding bonds			4,680,000	4,680,000
Bond discount			(60,372)	(60,372)
Debt service - principal			(4,560,000)	(4,560,000)
Transfers in	71,297	113,237	1,348,286	1,532,820
Transfers out	(311,111)		(1,221,709)	(1,532,820)
Total Other Financing Sources (Uses)	(47,228)	113,237	1,921,205	1,987,214
Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses	273,212	3,970	(538,499)	(261,317)
Fund Balance, July 1, 2013	3,371,522	35,818	639,293	4,046,633
Fund Balance, June 30, 2014	\$ 3,644,734	\$ 39,788	\$ 100,794	\$ 3,785,316

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

SIMPSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net change in total fund balances per fund financial statements	\$ (261,317)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	1,129,071
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(6,354,628)
The proceeds for the issuance of capital leases provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(177,794)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	6,069,447
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	84,308
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>120,386</u>
Change in net position of governmental activities	<u>\$ 609,473</u>

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2014

	Food Service Fund	Daycare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 430,705	\$ 62,368	\$ 493,073
Accounts receivable	2,387		2,387
Intergovernmental - Indirect Federal	44,925		44,925
Inventory	40,146		40,146
Total Current Assets	518,163	62,368	580,531
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	191,673		191,673
Total Noncurrent Assets	191,673	-	191,673
Total Assets	709,836	62,368	772,204
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	371		371
Total Current Liabilities	371	-	371
<u>Net Position</u>			
Net investment in capital assets	191,673		191,673
Unrestricted	517,792	62,368	580,160
Total Net Position	\$ 709,465	\$ 62,368	\$ 771,833

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 337,623	\$ -	\$ 337,623
Other operating revenues	36,610		36,610
Tuition and fees		196,421	196,421
Total Operating Revenues	374,233	196,421	570,654
Operating Expenses:			
Salaries and wages	765,881	201,895	967,776
Materials and supplies	720,697	21,371	742,068
Depreciation	39,370		39,370
Other operating expenses	169,129	12,287	181,416
Total Operating Expenses	1,695,077	235,553	1,930,630
Operating loss	(1,320,844)	(39,132)	(1,359,976)
Non-Operating Revenues (Expenses):			
Federal grants	1,122,658		1,122,658
Donated commodities	123,893		123,893
State on-behalf payments	108,963	29,191	138,154
State grants	15,650	2,912	18,562
Interest income	4,522		4,522
Total Non-Operating Revenues (Expenses)	1,375,686	32,103	1,407,789
Changes in net position	54,842	(7,029)	47,813
Net Position, July 1, 2013	654,623	69,397	724,020
Net Position June 30, 2014	\$ 709,465	\$ 62,368	\$ 771,833

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 339,810	\$ -	339,810
Other activities	36,610	-	36,610
Tuition and fees		197,600	197,600
Cash paid to/for:			
Employees	656,918	172,704	829,622
Supplies	611,951	21,371	633,322
Other activities	169,129	12,287	181,416
Net Cash Used by Operating Activities	(1,061,578)	(8,762)	(1,070,340)
Cash flows from Non-Capital Financing Activities			
Federal grants	1,191,246	-	1,191,246
State grants	15,650	2,912	18,562
Net Cash Provided by Non-Capital Financing Activities	1,206,896	2,912	1,209,808
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(996)	-	(996)
Net Cash Used by Capital and Related Financing Activities	(996)	-	(996)
Cash Flows from Investing Activities			
Receipt of interest income	4,522	-	4,522
Net decrease in cash and cash equivalents	148,844	(5,850)	142,994
Balances, beginning of year	281,861	68,218	350,079
Balances, end of year	<u>\$ 430,705</u>	<u>\$ 62,368</u>	<u>\$ 493,073</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,320,844)	\$ (39,132)	\$ (1,359,976)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	39,370	-	39,370
State on-behalf payments	108,963	29,191	138,154
Donated commodities	123,893		123,893
Change in assets and liabilities:			
Accounts receivable	2,187	1,179	3,366
Inventory	(11,309)	-	(11,309)
Accounts payable	(3,838)	-	(3,838)
Net cash used by operating activities	<u>\$ (1,061,578)</u>	<u>\$ (8,762)</u>	<u>\$ (1,070,340)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 123,893</u>	<u>\$ -</u>	<u>\$ 123,893</u>
State on-behalf payments	<u>\$ 108,963</u>	<u>\$ 29,191</u>	<u>\$ 138,154</u>

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

SIMPSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	<u>Agency Fund - School Activity</u>	<u>Agency Fund - Scholarship</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 125,629	\$ 115,517	241,146
Receivables	4,774		4,774
Total Assets	<u>\$ 130,403</u>	<u>\$ 115,517</u>	<u>\$ 245,920</u>
Liabilities			
Accounts payable	\$ 6,662	\$ -	\$ 6,662
Due to student groups	123,741		123,741
Due to recipients		115,517	115,517
Total Liabilities	<u>\$ 130,403</u>	<u>\$ 115,517</u>	<u>\$ 245,920</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Simpson County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Simpson 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 SIMPSON County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the SIMPSON County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Simpson County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Simpson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income:

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, 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 and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Daycare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund – School Activity accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Agency Fund – Scholarship is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments for which the District acts as an agent.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. BUDGETARY POLICIES

Budgetary Process

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

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

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

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Payments made that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 9.

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2011. The adoption of GASB 59 did not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 60 in fiscal year 2013. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012 and the District adopted GASB 61 in fiscal year 2013.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 62 in fiscal year 2013. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the District adopted GASB 63 in fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011 and the District adopted GASB 64 in fiscal year 2013.. The adoption of GASB 64 does not have any impact on the District's current financial statements.

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012 and the District adopted GASB 65 in fiscal year 2013.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012 and the District adopted GASB 66 in fiscal year 2013.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies 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. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 2 – PROPERTY TAXES

Property Taxes

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property. The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.476 per \$100 valuation for real property, \$.476 per \$100 valuation for business personal property and \$.546 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.

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2014, \$5,666,119 of the District's bank balance of \$5,916,119 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 42,307
General	Special Revenue	Grants	70,930
General	Nonmajor Governmental	Construction	9,199
General	Nonmajor Governmental	Debt Service	188,675
Nonmajor Governmental	General	COFT	68,297
Nonmajor Governmental	Nonmajor Governmental	Debt Service	1,150,412
Nonmajor Governmental	General	BFFT	3,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Also, at June 30, 2014, the Special Revenue Fund owed the General Fund \$314,765 for a reimbursement of expenditures paid by the General Fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital Assets Not Being Depreciated:				
Land	\$ 606,981	\$ -	\$ -	\$ 606,981
Construction in progress	154,675	2,306,057	(2,460,732)	-
Total Capital Assets Not Being Depreciated	761,656	2,306,057	(2,460,732)	606,981
Capital Assets Being Depreciated:				
Land improvements	1,540,447			1,540,447
Buildings and improvements	40,480,997	2,460,732	(219,433)	42,722,296
Technology equipment	1,988,202	255,354	(112,767)	2,130,789
Vehicles	2,527,517	173,922	(125,822)	2,575,617
General equipment	1,622,154	1,799	(80,325)	1,543,628
Total Capital Assets Being Depreciated at Historical Cost	48,159,317	2,891,807	(538,347)	50,512,777
Less Accumulated Depreciation For:				
Land improvements	1,451,348	96,561		1,547,909
Buildings and improvements	12,867,868	1,011,030	(95,047)	13,783,851
Technology equipment	1,450,892	244,367	(109,243)	1,586,016
Vehicles	1,471,510	179,647	(116,188)	1,534,969
General equipment	1,236,494	71,456	(73,492)	1,234,458
Total accumulated depreciation	18,478,112	1,603,061	(393,970)	19,687,203
Total Other Capital Assets, net	29,681,205	1,288,746	(144,377)	30,825,574
Governmental Activities Capital Assets - Net	\$ 30,442,861	\$ 3,594,803	\$ (2,605,109)	\$ 31,432,555
Business-Type Activities				
Capital Assets Being Depreciated:				
Technology equipment	\$ 58,516	\$ 995	\$ (805)	\$ 58,706
Food service equipment	545,629		(7,563)	538,066
Totals at historical cost	604,145	995	(8,368)	596,772
Less Accumulated Depreciation For:				
Technology equipment	\$ 47,950	\$ 9,708	\$ (805)	\$ 56,853
Food service equipment	326,148	29,661	(7,563)	348,246
Total accumulated depreciation	374,098	39,369	(8,368)	405,099
Business-Type Activities Capital Assets - Net	\$ 230,047	\$ (38,374)	\$ -	\$ 191,673

Depreciation was charged to governmental functions as follows:

Instruction	\$ 1,158,779
Student support	349
Instructional staff	2,176
District administration	23,609
School administration	3,302
Business support	2,438
Plant	230,741
Transportation	181,667
	<u>\$ 1,603,061</u>

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 6 – RISK MANAGEMENT

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

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

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 19,950,000	\$ 6,415,000	\$ 5,770,000	\$ 20,595,000	\$ 1,310,000
Capital leases	1,070,110	177,794	179,447	1,068,457	193,301
	21,020,110	6,592,794	5,949,447	21,663,457	1,503,301
Less Discounts and Premiums	(113,804)	(60,372)	39,680	(134,496)	-
Total Bonds and Leases Payable	20,906,306	6,532,422	5,989,127	21,528,961	1,503,301
Other Liabilities:					
KSBIT	220,577		84,308	136,269	136,269
Compensated absences	572,142	53,732	385,678	240,196	140,832
Total Other Liabilities	792,719	53,732	469,986	376,465	277,101
Total Governmental Activities Long-Term Liabilities	<u>\$ 21,699,025</u>	<u>\$ 6,586,154</u>	<u>\$ 6,459,113</u>	<u>\$ 21,905,426</u>	<u>\$ 1,780,402</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>
2005	\$2,860,000	3.00% - 4.25%
2006	5,880,000	4.10%
2007	2,150,000	3.50% - 3.80%
2007R	400,000	3.25% - 4.00%
2012R	7,450,000	1.00% - 2.25%
2013	1,735,000	1.60% - 4.00%
2014R	4,680,000	1.00% - 3.45%

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

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On July 1, 2013, the District issued \$1,735,000 in 2013 Series Revenue Bonds with an average interest rate of 3.85 percent. The net proceeds of \$1,686,565 (after \$21,850 in cost of issuance, \$30,323 of discount and \$3,738 in accrued interest) were deposited \$1,682,827 in the Construction Fund and \$3,738 in the Debt Service Fund.

On March 1, 2014, the District issued \$4,680,000 in Refunding Revenue Bonds with an average interest rate of 3.04 percent to advance refund \$4,560,000 of outstanding 2010 Series revenue bonds. The refunding was a current refunding. The net proceeds of \$4,608,966 (after \$38,840 in cost of issuance, \$30,049 in bond discount and \$2,145 in accrued interest and excess cash which was deposited in the bond payment fund) were used to call the 2012 bonds. Also, \$9,418 of accrued interest was deposited in the bond payment fund.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$78,343. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 17 years by \$400,855 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$299,117.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2015	\$ 1,310,000	\$ 571,495	\$ 557,762	\$ 1,323,733
2016	1,320,000	540,304	559,917	1,300,387
2017	1,350,000	512,433	558,792	1,303,641
2018	1,385,000	481,366	562,615	1,303,751
2019	1,415,000	449,144	556,422	1,307,722
2020-2024	6,380,000	1,713,461	2,447,737	5,645,724
2025-2029	5,390,000	760,496	1,972,276	4,178,220
2030-2034	2,045,000	126,320	867,790	1,303,530
	<u>\$ 20,595,000</u>	<u>\$ 5,155,019</u>	<u>\$ 8,083,311</u>	<u>\$ 17,666,708</u>

Capital Lease Liabilities

The following is an analysis of the leased property under capital lease by class. These assets are included in capital assets and are depreciated:

Classes of Property

Buses	
Gross amount of assets	\$ 1,919,840

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

2015	221,490
2016	189,226
2017	169,320
2018	150,224
2019	131,682
2020-2024	<u>317,869</u>
Total minimum lease payments	1,179,811
Less: Amount representing interest	<u>(111,354)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,068,457</u>

During FY 2014, the District purchased two buses under capital lease with a cost of \$177,794.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE 8 – PENSION PLANS

Plan Descriptions

The Simpson County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

Funding Policy

KTRS plan members are required to contribute 11.355% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008 of annual covered payroll. The rate for CERS fiscal year 2014, 2013 and 2012 was 18.89%, 19.55% and 18.96% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2014, 2013 and 2012 were \$707,847, \$731,658 and \$721,636, respectively, equal to the required contributions for each year.

For the years ended June 30, 2014, 2013 and 2012, the Commonwealth contributed \$1,509,468, \$1,505,614 and \$1,547,140 to KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the years ended June 30, 2014, 2013 and 2012 were \$271,012, \$215,435 and \$146,135.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits such as pension and health care costs, and other operating costs, for the year ended June 30, 2014 was \$3,666,705 for governmental funds and \$131,810 for proprietary funds.

Medical Insurance Plan

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE 8 – PENSION PLANS – CONTINUED

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.

Funding Policy

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. 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 local school district employers pay 1.5% of members' salary for the 2014 fiscal year.

Deferred Compensation

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

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2014, there were \$341 of nonspendable fund balances related to prepaid items.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$39,788 restricted for grants in the special revenue fund, \$921 restricted for capital projects in the Capital Outlay Fund, \$25,824 restricted for capital projects in the FSPK Fund, \$5,764 restricted for capital projects in the Construction Fund and \$13,024 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2014: \$596,917 for future construction and \$872,223 for a minimum fund balance policy.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 9 – FUND BALANCES – CONTINUED

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There were no amounts assigned related to encumbrances at June 30, 2014. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The amount assigned in the general fund was \$104,323 (\$85,664 for unemployment, \$6,200 for a maintenance truck and \$12,459 for site-based carryforward).

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

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

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 20, 2014, the Board had committed \$872,223 of funds to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$220,577. In August 2014, the District received an invoice for \$136,269 which is the amount expected to satisfy the claim. This amount is recorded as a current liability in the Statement of Net Position as it is expected to be paid by June 30, 2014; however, it was not due at June 30, 2014, for the fund financial statements. The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence.

NOTE 11 – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

Construction Fund	\$ 608,003
Daycare Fund	7,029

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky and the United States Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2014 was \$5,157,736 recorded as follows: \$4,422,419 in the General Fund, \$597,163 in the Debt Service Fund, \$108,963 in the Food Service Fund and \$29,191 in the Daycare Fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE 13 – OPERATING LEASES

The District has an operating lease for copies that began in fiscal year 2014 and ends in fiscal year 2017. The lease term is 48 months and calls for a monthly payment of \$4,877. Total future payment requirements are \$58,520 in fiscal year 2015, \$58,520 in fiscal year 2016 and \$58,520 in fiscal year 2017. The amount paid in fiscal year 2014 was \$58,520.

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 4,752,176	\$ 4,804,964	\$ 4,852,425
Motor vehicle	547,830	563,273	585,627
Utilities	1,500,000	1,480,000	1,425,258
Revenue in lieu of taxes	370,000	370,000	392,302
Unmined minerals	1,000	1,000	1,485
Earnings on investments	50,000	50,000	70,433
Other local revenues	12,500	12,500	23,192
Intergovernmental - State	10,214,860	10,257,807	14,677,306
Intergovernmental - Indirect Federal	40,000	40,000	163,968
Total Revenues	<u>17,488,366</u>	<u>17,579,544</u>	<u>22,191,996</u>
Expenditures:			
Instruction	10,437,565	10,313,868	13,305,906
Support services:			
Student	761,785	824,682	1,074,659
Instruction staff	678,491	690,842	1,021,930
District administrative	478,301	471,321	483,106
School administrative	1,150,478	1,156,667	1,493,676
Business	463,592	464,451	603,972
Plant operation and maintenance	2,194,925	2,205,966	2,357,237
Student transportation	1,090,644	1,104,245	1,322,540
Other non-instruction	1,251,162	1,931,143	208,530
Total Expenditures	<u>18,506,943</u>	<u>19,163,185</u>	<u>21,871,556</u>
Excess (Deficit) of Revenues over Expenditures	(1,018,577)	(1,583,641)	320,440
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			14,792
Capital lease proceeds			177,794
Transfers in		71,297	71,297
Transfers out	(281,423)	(311,111)	(311,111)
Total Other Financing Sources (Uses)	<u>(281,423)</u>	<u>(239,814)</u>	<u>(47,228)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,300,000)	(1,823,455)	273,212
Fund Balance, July 1, 2013	<u>1,300,000</u>	<u>1,823,455</u>	<u>3,371,522</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,644,734</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$4,422,419.

SIMPSON COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ 158	\$ 336
Tuition and fees	15,195	17,585	12,356
Other local revenues	27,068	75,279	62,964
Intergovernmental - State	913,760	1,187,176	1,172,065
Intergovernmental - Indirect Federal	2,001,878	2,185,093	2,119,772
Total Revenues	<u>2,957,901</u>	<u>3,465,291</u>	<u>3,367,493</u>
Expenditures:			
Instruction	2,593,014	3,103,811	3,006,411
Support services:			
Student	47,887	44,222	42,567
Instruction staff	49,481	50,117	47,407
School administrative	18,051	22,150	40,780
Business	30,075	30,075	33,055
Plant operation and maintenance	11,635	12,810	3,749
Student transportation	28,643	28,643	25,172
Community service activities	271,863	286,701	277,619
Total Expenditures	<u>3,050,649</u>	<u>3,578,529</u>	<u>3,476,760</u>
Excess (Deficit) of Revenues over Expenditures	(92,748)	(113,238)	(109,267)
Other Financing Sources (Uses):			
Transfers in	92,748	113,238	113,237
Total Other Financing Sources (Uses)	<u>92,748</u>	<u>113,238</u>	<u>113,237</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	3,970
Fund Balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>35,818</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,788</u>

SUPPLEMENTARY INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 55,261	\$ 921	\$ 25,824	\$ 5,764	\$ 13,024	\$ 100,794
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,824</u>	<u>\$ 5,764</u>	<u>\$ 13,024</u>	<u>\$ 100,794</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted	55,261	921	25,824	5,764	13,024	100,794
Total Fund Balances	<u>55,261</u>	<u>921</u>	<u>25,824</u>	<u>5,764</u>	<u>13,024</u>	<u>100,794</u>
Total Liabilities and Fund Balances	<u>\$ 55,261</u>	<u>\$ 921</u>	<u>\$ 25,824</u>	<u>\$ 5,764</u>	<u>\$ 13,024</u>	<u>\$ 100,794</u>

SIMPSON COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2014

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ 630,409	\$ -	\$ -	\$ 630,409
Other local revenue	67,045					67,045
Earnings on investments				6,028	14,641	20,669
Intergovernmental - State		264,418	328,107		511,957	1,104,482
Intergovernmental - Direct federal					85,206	85,206
Total Revenues	67,045	264,418	958,516	6,028	611,804	1,907,811
Expenditures						
Instruction	11,784					11,784
Facilities acquisition and construction				2,306,057		2,306,057
Bond issue costs				21,850	38,840	60,690
Debt service:						
Principal					1,210,000	1,210,000
Interest					778,984	778,984
Total Expenditures	11,784	-	-	2,327,907	2,027,824	4,367,515
Excess (Deficit) of Revenues over Expenditures	55,261	264,418	958,516	(2,321,879)	(1,416,020)	(2,459,704)
Other Financing Sources (Uses)						
Bond proceeds from revenue bonds				1,735,000		1,735,000
Bond proceeds from refunding bonds					4,680,000	4,680,000
Bond discount				(30,323)	(30,049)	(60,372)
Debt service - principal					(4,560,000)	(4,560,000)
Transfers in				9,199	1,339,087	1,348,286
Transfers out		(264,072)	(957,637)			(1,221,709)
Total Other Financing Sources (Uses)	-	(264,072)	(957,637)	1,713,876	1,429,038	1,921,205
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	55,261	346	879	(608,003)	13,018	(538,499)
Fund balance, July 1, 2013		575	24,945	613,767	6	639,293
Fund balance, June 30, 2014	\$ 55,261	\$ 921	\$ 25,824	\$ 5,764	\$ 13,024	\$ 100,794

SIMPSON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS - AGENCY FUNDS - SCHOOL ACTIVITY

June 30, 2014

	Franklin Elementary	Lincoln Elementary	Simpson Elementary	Franklin-Simpson Middle	Franklin-Simpson High	Agency Fund
Assets						
Cash and cash equivalents	\$ 2,971	\$ 29,133	\$ 14,745	\$ 29,420	\$ 49,360	\$ 125,629
Accounts receivable		40	3,021		1,713	4,774
Total Assets	<u>\$ 2,971</u>	<u>\$ 29,173</u>	<u>\$ 17,766</u>	<u>\$ 29,420</u>	<u>\$ 51,073</u>	<u>\$ 130,403</u>
Liabilities						
Accounts payable	\$ 1,046	\$ -	\$ -	\$ 5,289	\$ 327	\$ 6,662
Due to student groups	1,925	29,173	17,766	24,131	50,746	123,741
Total Liabilities	<u>\$ 2,971</u>	<u>\$ 29,173</u>	<u>\$ 17,766</u>	<u>\$ 29,420</u>	<u>\$ 51,073</u>	<u>\$ 130,403</u>

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS - SCHOOL ACTIVITY
YEAR ENDED JUNE 30, 2014

<u>SCHOOL</u>	<u>CASH BALANCE July 1, 2013</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCE June 30, 2014</u>	<u>RECEIVABLES June 30, 2014</u>	<u>ACCOUNTS PAYABLE June 30, 2014</u>	<u>DUE TO STUDENT GROUPS June 30, 2014</u>
Franklin Elementary	\$ 13,477	\$ 15,979	\$ 26,485	\$ 2,971	\$ -	\$ 1,046	\$ 1,925
Lincoln Elementary	60,472	34,918	66,257	29,133	40		29,173
Simpson Elementary	17,458	50,742	53,455	14,745	3,021		17,766
Franklin-Simpson Middle	32,794	131,060	134,434	29,420		5,289	24,131
Franklin-Simpson High	30,984	404,396	386,020	49,360	1,713	327	50,746
	<u>\$ 155,185</u>	<u>\$ 637,095</u>	<u>\$ 666,651</u>	<u>\$ 125,629</u>	<u>\$ 4,774</u>	<u>\$ 6,662</u>	<u>123,741</u>

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FRANKLIN-SIMPSON HIGH SCHOOL
YEAR ENDED June 30, 2014

NAME OF ACTIVITY	CASH BALANCES July 1, 2013	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2014	RECEIVABLES June 30, 2014	ACCOUNTS PAYABLE June 30, 2014	DUE TO STUDENT GROUPS June 30, 2014
General Fund	\$ 55	\$ 3,825	\$ 3,839	\$ 41	\$ -	\$ -	\$ 41
Cash on hand	-	-	-	-	-	-	-
AP testing	1,410	28,459	26,427	3,442	-	-	3,442
Attendance rewards	-	-	-	-	-	-	-
Banner/Posters	94	6,289	6,383	-	-	-	-
Teachers Vending	68	3,291	3,359	-	131	61	70
Faculty Events	-	-	-	-	-	-	-
Trip Fund	-	12,053	12,053	-	-	-	-
Fundraising	-	-	-	-	-	-	-
Homecoming Committee	14	120	134	-	-	-	-
Hospitality	-	-	-	-	-	-	-
The Hub Store	1,590	7,393	5,554	3,429	-	-	3,429
Lollipop shop	128	433	406	155	-	-	155
Magazine sales	-	-	-	-	-	-	-
parking tags	1,238	3,420	4,378	280	-	-	280
PBS Rewards	-	-	-	-	-	-	-
Project Graduation	-	1,000	1,000	-	-	-	-
Prom	2,355	6,696	6,797	2,254	-	-	2,254
Senior trip	-	-	-	-	-	-	-
Student council	611	6,890	5,610	1,891	-	-	1,891
Student fees	2,205	17,260	18,037	1,428	-	121	1,307
Student vending	1,236	8,902	10,138	-	378	-	378
Summer school	1,635	-	-	1,635	-	-	1,635
Tech rentals	376	1,885	2,261	-	-	-	-
Textbook rental	84	1,045	1,129	-	-	-	-
Wildcat cards	-	-	-	-	-	-	-
Yearbook	4,288	29,873	27,160	7,001	-	-	7,001
Youth services	148	-	148	-	-	-	-
Academic team	-	-	-	-	-	-	-
Band	1,003	2,979	3,868	114	-	-	114
Beta	1,896	1,385	1,817	1,464	-	-	1,464
Chorus	789	17,641	15,428	3,002	-	-	3,002
DECA	-	3,652	3,652	-	-	-	-
Diversity	472	310	308	474	-	-	474
Drama	1,109	1,530	1,393	1,246	-	-	1,246
Fashion design	217	42	259	-	-	-	-
FAP	110	-	-	110	-	-	110
FBLA	351	14,720	14,733	338	-	-	338
FCA	295	-	-	295	-	-	295
FCCLA	299	15	-	314	-	-	314
FEA Club	-	-	-	-	-	-	-
FFA	36	29,075	24,950	4,161	-	-	4,161
FFA Travel	-	-	-	-	-	-	-
FFA Mum sales	-	4,931	4,931	-	-	-	-
FFA Poinsettia sales	-	2,153	2,153	-	-	-	-
FFA Banquet	-	6,347	6,347	-	-	-	-
FFA Ticket Sales	-	-	-	-	-	-	-
History Club	-	1,121	645	476	-	-	476
HOSA	273	13,483	11,762	1,994	-	-	1,994
International club	26	4,359	2,373	2,012	-	-	2,012
Mu Alpha Theta	344	60	71	333	-	-	333
Renaissance	-	-	-	-	-	-	-
STLP	374	200	574	-	-	-	-
Skills USA	-	1,653	1,482	171	-	-	171
STLP	-	1,797	296	1,501	-	-	1,501

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FRANKLIN-SIMPSON HIGH SCHOOL
YEAR ENDED June 30, 2014

NAME OF ACTIVITY	CASH BALANCES July 1, 2013	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2014	RECEIVABLES June 30, 2014	ACCOUNTS PAYABLE June 30, 2014	DUE TO STUDENT GROUPS June 30, 2014
Athletics	191	117,136	117,263	\$ 64	1,204	145	\$ 1,123
Baseball	-	-	-	-	-	-	-
Basketball-Boys	-	-	-	-	-	-	-
Basketball-Girls	-	-	-	-	-	-	-
Athletic concessions	-	8,178	8,178	-	-	-	-
Cheerleading	-	-	-	-	-	-	-
Cross Country	-	-	-	-	-	-	-
Football	-	-	(100)	100	-	-	100
Golf	-	-	-	-	-	-	-
Soccer-Boys	-	-	-	-	-	-	-
Soccer-Girls	-	-	-	-	-	-	-
Softball	-	-	-	-	-	-	-
Swimming	-	-	-	-	-	-	-
Tennis	-	-	-	-	-	-	-
Track-boys	-	-	-	-	-	-	-
Track-girls	-	-	-	-	-	-	-
Volleyball	-	-	-	-	-	-	-
Athletics:play-offs only	-	17,555	17,555	-	-	-	-
Class of 2011	-	-	-	-	-	-	-
Class of 2012	-	-	-	-	-	-	-
Class of 2013	-	-	-	-	-	-	-
Class of 2014	-	345	345	-	-	-	-
Class of 2015	129	331	116	344	-	-	344
Class of 2016	125	103	(103)	331	-	-	331
Class of 2017	-	159	130	29	-	-	29
Hendrick class fee	6	465	471	-	-	-	-
Agriproduce	44	-	44	-	-	-	-
Art	-	563	563	-	-	-	-
Consumer science	39	13,106	10,652	2,493	-	-	2,493
Fields class business	173	-	-	173	-	-	173
Floral design	222	1,085	1,307	-	-	-	-
Horticulture	2,361	6,828	7,804	1,385	-	-	1,385
Human services	-	1,909	1,909	-	-	-	-
Journalism	914	1,574	1,200	1,288	-	-	1,288
Masonry department	53	-	53	-	-	-	-
Masonry department	-	139	139	-	-	-	-
Video production	474	3,061	332	3,203	-	-	3,203
Welding	91	4,081	4,024	148	-	-	148
Youth service center	-	-	-	-	-	-	-
Bayles grants	-	-	-	-	-	-	-
Advance KY	553	-	312	241	-	-	241
Mckinney fund	-	-	-	-	-	-	-
Read 180	-	-	-	-	-	-	-
Hughes Memorial	-	-	-	-	-	-	-
Jerry James memorial	-	-	-	-	-	-	-
Joker Phillips Donation	-	10,000	10,000	-	-	-	-
Math grant	-	-	-	-	-	-	-
PE Dept Grant	480	-	480	-	-	-	-
Scholarships	-	-	-	-	-	-	-
Sub Total	30,984	432,905	414,529	49,360	1,713	327	50,746
Interfund Transfers	-	28,509	28,509	-	-	-	-
TOTAL	\$ 30,984	\$ 404,396	\$ 386,020	\$ 49,360	\$ 1,713	\$ 327	\$ 50,746

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-13	\$ 143,594
		7750002-14	629,957
School Breakfast Program	10.553	7760005-13	39,599
		7760005-14	230,534
Summer Food Service Program for Children	10.559	7690024-13	3,311
		7740023-13	30,738
		7740023-14	44,926
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	<u>123,893</u>
TOTAL CHILD NUTRITION CLUSTER			<u>1,246,552</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,246,552</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3363	25,082
		3363E	10,045
		3364	275,929
		3364E	113,100
		3373	59,312
		3373R	4,968
		3374	416,058
		3374C	98,463
		3374P	<u>7,981</u>
			<u>1,010,938</u>
Special Education - Preschool Grants	84.173	3433	37,986
		3434	28,072
		3434P	<u>118</u>
			<u>66,176</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>1,077,114</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3103	140,059
		3103M	4,622
		3104	467,572
		3203	11,368
		3204	<u>96,854</u>
			<u>720,475</u>
Vocational Education - Basic Grants to States	84.048	3484	33,180
Rural Education	84.358	3503	2,228
		3504	<u>37,680</u>
			<u>39,908</u>
English Language Acquisition State Grants	84.365	3453	8,683
		3454	<u>10,027</u>
			<u>18,710</u>
Improving Teacher Quality - State Grants	84.367	4013	26,065
		4014	<u>79,658</u>
			<u>105,723</u>

The accompanying notes are an integral part of this schedule.

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

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>
Race to the Top	84.413A	4521	6,443
Passed Through Green River Regional Educational Cooperative ARRA - Race to the Top	84.416	4364 4364A	78,187 <u>40,031</u>
			<u>118,218</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,119,771</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,366,323</u>

The accompanying notes are an integral part of this schedule.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Simpson County School District under programs of the federal government for the year ended June 30, 2014. 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*. Because the schedule presents only a selected portion of the operations of Simpson County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Simpson County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
	DEPARTMENT OF EDUCATION
84.010	Title I Grants to Local Educational Agencies
84.416	ARRA - Race to the Top
	Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee? yes X_no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2014

There were no prior federal audit findings.

**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**

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Simpson County School District
Franklin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued our report thereon dated August 19, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Simpson County School District in a separate letter dated August 19, 2014.

Purpose of this Report

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



Certified Public Accountants
Elizabethtown, Kentucky
August 19, 2014

**INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

CHRIS R. CARTER, CPA
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BRIAN S. WOOSLEY, CPA



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Simpson County School District
Franklin, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Simpson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SIMPSON County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Simpson County School 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

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

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

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

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



Certified Public Accountants
Elizabethtown, Kentucky
August 19, 2014

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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MEMBER
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Members of the Board of Education of
Simpson County School District
Franklin, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated August 19, 2014, contains our report on the District's internal control. This letter does not affect our report dated August 19, 2014, on the financial statements of the Simpson County School District.

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

This report is intended solely for the information and use of management, the members of the Simpson County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants
Elizabethtown, Kentucky
August 19, 2014

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

CURRENT YEAR COMMENTS

FRANKLIN ELEMENTARY

ANNUAL FINANCIAL REPORT

We noted the Annual Financial Report was signed and dated by the bookkeeper on 8/5/2014 and the principal on 7/30/2014. The Redbook requires that this be submitted by 7/25/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SEGREGATION OF DUTIES

We noted that the school's bookkeeper enters invoices into the accounting system, prints checks and matches invoices to checks. We noted the bookkeeper photocopies checks/records receipts on the deposit ticket and takes the deposit to the bank. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CREDIT CARD SIGN IN/OUT FORM

We noted per conversation with the school's bookkeeper there was no F-SA-13, Credit Card Sign In/Out form on file for the year 2013-2014 for the school's Wal-Mart credit card.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FUNDRAISERS

We noted there were no F-SA-2A, Fundraiser Approval Forms, completed for the Fall Bash fundraiser or the Shirt Sales Fundraiser. We noted form F-SA-2B, Fundraiser Worksheet was not on file for the Fall Bash fundraiser.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER

we noted check 8733 dated 10/3/2013 in the amount of \$493.19 written to Nimco Inc. from the Instruction Fees fund for the purchase of materials for DrugFree week contained a purchase order dated 10/3/2013 with an invoice dated 9/30/2013. The Redbook requires that to initiate a purchase, a purchase order, Form F-SA-7, shall be prepared and approved by the sponsor and principal before the payment is obligated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON HIGH

ANNUAL FINANCIAL REPORT

We noted the Annual Financial Report was signed and dated by the bookkeeper and principal on 7/28/2014. The Redbook requires that this be submitted by 7/25/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

DOCUMENTATION ORGANIZATION

We noted each deposit made, did not clearly contain the receipts and proper F-SA forms connected to that deposit. There were many items listed in a handwritten receipt book where money was received for various reasons, however we could not locate any F-SA forms for many of those items.

We noted that the bookkeeper keeps a receipt book that has pre-numbered receipts that are manually completed by the bookkeeper, however the original and carbon copy were both attached for receipts during FY14.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

SEGREGATION OF DUTIES

We noted the school's bookkeeper photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system and takes the deposit to the bank. We also noted the school's bookkeeper enters invoices into the accounting system, prints checks, matches invoices to checks and mails the checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

STANDARD INVOICE

We noted check 34716 dated 9/5/2013 in the amount of \$254.50 written to Kendrick Adams for \$160 reimbursement of student meals from the student vending fund and travel reimbursement of \$94.50 from the athletics fund, did not contain form F-SA-8, Standard Invoice.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

TRAVEL REIMBURSEMENT

We noted check 34716 dated 9/5/2013 in the amount of \$254.50 written to Kendrick Adams for \$160 reimbursement of student meals from the student vending fund and travel reimbursement of \$94.50 from the athletics fund, contained form F-SA-7, Purchase Order, however it was not approved by the Principal, the date of travel was not noted and the Travel Expense Voucher was not signed or dated by the Principal.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON HIGH – CONTINUED

CHANGE BOX

We noted \$1,700 for athletics change box was not re-deposited as of 8/4/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

TICKET SALES

We noted a football game dated 11/8/2014 with collections of \$2,436 was not deposited until 11/14/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY CONTROLS

We noted form F-SA-5, Inventory Control, for the Boys Basketball concessions was not signed and dated by the person counting the inventory and did not contain a listing of the items from each count to the next.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

We noted the FFA beef jerky sales did not have form F-SA-5, Inventory Control, on file.

FUNDRAISERS

We noted the FFA sold beef jerky, however there was no form F-SA-2B, Fundraiser Worksheet, on file.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

We noted there was no form F-SA-2A, Fundraiser Approval, on file for Yearbook sales.

DEPOSIT RECORDS

We noted a deposit dated 1/10/2014 in the amount of \$6,574.00 did not contain forms F-SA-6, Multiple Receipt Forms, for the following receipt numbers: receipt #17760 in the amount of \$110 for season tickets from Quarterback Club, receipt #17661 in the amount of \$150 for video production-dvd sales, receipt #17662 in the amount of \$137.50 for KYA trip payment, and receipt #17664 in the amount of \$355 for season passes.

We noted a deposit dated 11/14/2013 in the amount of \$5,734.00 did not contain forms F-SA-6, Multiple Receipt Forms, for the following receipt numbers: receipt #17604 for scrap sales in the amount of \$178.73, receipt # 17605 for boys soccer regional share in the amount of \$221.57 with a check dated 10/29/2013, receipt #17606 for picture commissions with a check dated 11/6/2013 in the amount of \$1,148, receipt #17607 for regional volleyball share with a check dated 11/5/2013 in the amount of \$388.70 and receipt #17608 for 4-H catering in the amount of \$1,000.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON HIGH – CONTINUED

We noted a deposit dated 6/30/2014 in the amount of \$24,221.49 did not contain forms F-SA-6, Multiple Receipt Forms, for the following receipt numbers: receipt #17891 for refund from hobby lobby in the amount of \$41.37, receipt #17892 for reimbursement from the BOE with check 106902 dated 6/13/2014 in the amount of \$17,303.14 and check 107023 dated 6/30/14 in the amount of \$3,367.30, receipt # 17893 for caps and gowns in the amount of \$115 and check 47369 dated 6/19/2014 in the amount of \$239.95 for KHSAA royalties, check 30564088 dated 6/9/2014 for coke commissions in the amount of \$536.93, and letters from the school for lost book amounts owed from students totaling \$54 that were not dated or signed by the students when they actually paid.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

MULTIPLE RECEIPT FORMS

We noted a stapled set of notebook paper, listing prom receipts from students that were not signed by students that did not include the amount each student paid. Collections started on 4/7/2014 and continued through 5/1/2014. These papers were not signed or dated by the person remitting the money or the bookkeeper. We also noted receipts for prom in receipt #17777 in the amount of \$3,025 on 4/16/2014, receipt #17808 in the amount of \$2,675 on 4/25/2014 and receipt #17842 in the amount of \$640 on 5/19/2014 intended to support prom deposits.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

UNTIMELY DEPOSIT

We noted a deposit dated 1/10/2014 in the amount of \$6,574.00 contained the following forms F-SA-6, Multiple Receipt Form, that were dated 1/8/2014 by the person remitting the money, but not signed or dated by the bookkeeper: \$1,602 received for yearbook sales and \$3,149 received for FBLA dues & registration. \$145 received for Christmas Angels was not dated by the person remitting the money or signed by the bookkeeper.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDERS

We noted check 34639 dated 8/12/2013 in the amount of \$274.24 written to Lowe's for the purchase of fertilizer and trailer supplies, however form F-SA-7, Purchase Order, had no description for approved items and was not signed by the principal.

We noted check 34660 dated 8/15/2013 in the amount of \$21.98 written to Parent Teacher Store for the purchase of welcome back supplies from the Student Council fund contained form F-SA-7, Purchase Order, that had no description for approved items.

We noted check 34904 dated 10/14/2013 in the amount of \$743.67 written to Lowe's for maintenance items from the various activity funds contained form F-SA-7, Purchase Order, which had no description of approved items and was not signed by sponsor or principal.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON HIGH – CONTINUED

We noted check 35097 dated 11/22/2013 in the amount of \$143.37 written to Walmart for the purchase of groceries for science lab from the Consumer Science fund contained form F-SA-7, Purchase Order, which had no description for approved items and was not signed by the sponsor.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

UNALLOWABLE PURCHASE

We noted check 34904 dated 10/14/2013 in the amount of \$743.67 written to Lowe's for the purchase of maintenance items from various funds. The Redbook does not allow maintenance items to be purchased with student funds.

We noted check 35276 dated 2/11/2014 in the amount of \$21.00 written to Parson's Locksmith Service for the purchase of elevator keys from the General fund. The Redbook does not allow maintenance items to be purchased with student funds.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

EXTERNAL SUPPORT/BOOSTER ORGANIZATIONS

We noted the following External Support/Booster Organizations did not submit a budget for 2013-2014: Softball, Baseball, Band, Cheer, Boys Basketball, Girls Volleyball, Boys Soccer and Girls Basketball.

We noted the Girls Basketball External Support/Booster Organization did not submit a list of officers for 2013-2014.

We noted the following External Support/Booster Organizations did not submit an Annual Financial Report for 2013-2014: Boys Basketball, Girls Volleyball, Boys Soccer, Girls Basketball.

We noted the Cheerleading External Support/Booster Organization submitted an Annual Financial Report for 2013-2014, however it did not contain a beginning and ending balance and did not list receipts and expenditures by category.

We noted the Softball External Support/Booster Organization submitted an Annual Financial Report for 2013-2014, however it did not list receipts and expenditures by category.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

COACHES CARDS

We noted the school purchased several coaches cards for individuals who were not current coaches.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON HIGH – CONTINUED

REFUND OF FEES

We noted check 35542 dated 5/2/2014 in the amount of \$25 written to Troy Monnier for the refund of a prom ticket from the Prom Fund, did not have board approval to charge this \$25 fee.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FRANKLIN-SIMPSON MIDDLE

ANNUAL FINANCIAL REPORT

We noted the Annual Financial Report was signed and dated by the bookkeeper and the principal on 8/4/2014. The Redbook requires that this be submitted by 7/25/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SEGREGATION OF DUTIES

We noted that the school's bookkeeper photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system, and takes deposits to the bank. We also noted the school's bookkeeper enters invoices into the accounting system, prints checks, matches invoices to checks, and mails the checks. The Redbook requires these duties to be segregated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

TICKET SALES

We noted that form F-SA-1, Requisition and Report of Ticket Sales was completed for the 9/17/2013 Boys Football game with no school treasurer signature.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY

We noted form F-SA-5, Inventory Control, was not properly completed for the Girls Basketball Concessions. The beginning inventory and deliveries sections were not completed, collections and ending inventory were completed but with total value of Ending Inventory being 0 and subtotal B equaling 0. Ending inventory should be \$99 and Subtotal B should equal \$1,257.70. We also noted that the person collecting money did not initial by the date and amount collected. Redbook requires the person collecting money to be different from the person completing the inventory worksheet.

We noted form F-SA-5, Inventory Control, was not completed monthly for the Girls Basketball Concessions.

We noted form F-SA-5, Inventory Control, was not prepared for Boys Basketball Concessions.

We noted form F-SA-5, Inventory Control, was not prepared for the school's pencil machine.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

FRANKLIN-SIMPSON MIDDLE – CONTINUED

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted the Soccer Booster was an external booster during 2013-2014 but did not provide a Proof of Insurance for the 2013-2014 school year.

We noted the FSMS Charitable Operations ORG was an external booster during 2013-2014 but did not provide an EIN, Annual Financial Report, List of Officers, Proof of Insurance, or a Budget for the 2013-2014 school year.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FUNDRAISERS

We noted form F-SA-2A, Fundraiser Approval, for the FSMS Chocolate Sales Fundraiser was not on file. We also noted forms F-SA-5, Inventory Controls, and form F-SA-2B, Fundraiser Worksheet, were not on file.

We noted form F-SA-2B, Fundraiser Worksheet, and form F-SA-5, Inventory Control Worksheets, for the Boys Basketball T-Shirt Sales Fundraiser were not on file.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CREDIT CARDS

We noted form F-SA-13, Credit Card Sign In/Out Log, was not on file for the Walmart credit card.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER

We noted check 28240 dated 2/10/2014 in the amount of \$3,200, written to Herff Jones from the Yearbook fund for the deposit required by the vendor on the 2013-2014 yearbooks contained a purchase order dated 2/10/2014 with an invoice date of 1/31/2014.

We noted check 28240 dated 2/10/2014 in the amount of \$3,200, from the Yearbook fund for the deposit required by the vendor on the 2013-2014 yearbooks contained a purchase order that did not match the vendor invoice of \$10,557.95.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

NEGATIVE BALANCE

We noted that, after the addition of a \$4,000 payable, the Yearbook fund has a negative balance of \$3,225.50.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

LINCOLN ELEMENTARY

SEGREGATION OF DUTIES

We noted the bookkeeper photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system, and takes deposits to the bank. We also noted the bookkeeper enters invoices into the accounting system, prints checks, matches invoices to checks, and mails the checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CREDIT CARDS

We noted form F-SA-13, Credit Card Sign In/Out form, was not the updated Redbook form. It lacked a purchase order number column and a place for an employee witnessing return of credit card to sign off. We also noted that for 7 out of the 8 times it was checked out the date returned box was check marked making it impossible to determine if the credit card was returned in the next business day as required by Redbook.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY

We noted form F-SA-5, Inventory Control, was not properly completed for the school's pencil machine. There was not a beginning inventory count taken but there was a value placed in total value beginning inventory. The bookkeeper collected money from the pencil machine and completed the inventory. We also noted the inventory control worksheet was not completed monthly.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER

We noted check 11001, dated 8/13/2013 in the amount of \$282.25, written to Crystal Bayles, from the LOPC – Yearbook fund for the reimbursement of classroom supplies contained form F-SA-7, Purchase Order dated 8/23/2013 and form F-SA-8, Standard Invoice, dated 8/22/2013. The Redbook requires that to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON ELEMENTARY

ANNUAL FINANCIAL REPORT

We noted the Annual Financial Report was signed and dated by the bookkeeper and principal on 8/5/2014. The Redbook requires that this be submitted by 7/25/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

SIMPSON ELEMENTARY – CONTINUED

SEGREGATION OF DUTIES

We noted the schools bookkeeper photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system and takes the deposit to the bank. We noted the schools bookkeeper enters invoices into the accounting system, prints checks and matches checks. We noted the schools bookkeeper clears checks in the accounting system, reconciles the bank account and reviews the bank reconciliation. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CASH ADVANCES

We noted check 4667 dated 11/25/2013 in the amount of \$100 written to Sherry Stinson for book fair start up from the Bookfair fund did not contain form F-SA-9, Expense Report.

We noted check 44726 dated 4/8/2014 in the amount of \$100 written to Sherry Stinson for book fair start up from the Bookfair fund did not contain form F-SA-9, Expense Report.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER

We noted check 44726 dated 4/8/2014 in the amount of \$100 written to Sherry Stinson for book fair start up from the Bookfair fund contained form F-SA-7, Purchase Order, that was dated 4/17/2014 with form F-SA-8, Standard Invoice, dated 4/8/2014.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FUNDRAISERS

We noted Music fund DVD sales did not have form F-SA-2A, Fundraiser Approval, on file.

We noted fundraisers for Bookfair and Music DVD sales did not have form F-SA-2B, Fundraiser Worksheet, on file.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY

We noted a receipt dated 6/2/2014 in the amount of \$84 for supplies sold at bookstore from the Bookstore fund. Per conversation with the bookkeeper, form F-SA-5, Inventory Control, was not completed any during the 2013-2014 year.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2014

SIMPSON ELEMENTARY – CONTINUED

MULTIPLE RECEIPT FORMS

We noted a deposit dated 11/20/2013 in the amount of \$2,781.00 contained a check in the amount of \$2,731.00 received from Graham & Associates that was not documented on form F-SA-6, Multiple Receipt Form. The school's bookkeeper keeps a handwritten receipt book however there was no handwritten receipt for this check dated 11/15/2013.

We noted a deposit dated 12/10/2013 in the amount of \$1,079.76 contained a receipt for books sold at the book fair in the amount of \$879.76 and did not contain form F-SA-17, Sales Collection Form.

We noted a deposit dated 2/21/2014 in the amount of \$3,564.28 contained the receipts from SES PTO for \$3,300.00 for books, \$100.00 for art class, and \$100.00 for music class and did not contain form F-SA-6, Multiple Receipt Form, or a handwritten receipt from the bookkeeper's receipt book.

We noted a deposit dated 6/2/2014 in the amount of \$2,900.85 contained a check in the amount of \$2,500.00 from the Simpson County School Board for the end of the year PTO donations did not contain form F-SA-6, Multiple Receipt Form, or a handwritten receipt from the bookkeeper's receipt book. We also noted that the forms F-SA-6, Multiple Receipt Forms, attached to the field trip deposits made on 6/2/2014 were not original.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.