

**TRIGG COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

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**TRIGG COUNTY SCHOOL DISTRICT**  
JUNE 30, 2014

**BOARD OF EDUCATION**

Mike Davis, Chairman  
LaVern Baker, Member  
JoAlyce Harper, Member  
Donnie Holland, Member  
Sharon Simmons, Member

**ADMINISTRATIVE STAFF**

Travis Hamby, Superintendent  
Michelle Wilson, Finance Officer

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Trigg County School District  
Cadiz, 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 Trigg 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 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.

### Auditors' 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 *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

American Institute of Certified Public Accountants – Kentucky Society of Certified Public Accountants

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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 Trigg County School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–12 and 47–50 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 Trigg County School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

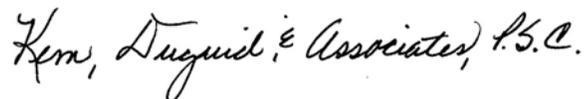
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of Trigg 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 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 Trigg County School District's internal control over financial reporting and compliance.

Kem, Duguid & Associates, P.S.C.

Handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C."

Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

As management of the Trigg County School District (the “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 ending cash and investments balance for the District was \$10,493,111, as compared with the beginning cash balance of \$9,474,472. The ending cash and investments balance consists of General Fund of \$6,091,293, Special Revenue Fund of (\$278,316), Other Governmental Funds of \$879,595, Construction Fund of \$3,218,943, Food Service Fund of \$411,626, and School Activity Funds of \$169,970.
- The General Fund had \$17,059,650 in revenue, which primarily consisted of the state program (SEEK), property, utilities, motor vehicle, and in lieu of taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased \$2,877,021 in comparison to prior year of \$19,936,671. Excluding interfund transfers, there were General Fund expenditures totaling \$16,766,151. This is a decrease of \$32,228 compared to \$16,733,923 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$3,537,730 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, technology, and debt service. A like amount of expenses is also recorded in the financial statements.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and day care. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 47.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,810,273 as of June 30, 2014.

A significant 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 outstanding related debt used to acquire those assets. 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.

Following is a summary of the District's government-wide net position for the fiscal years ended June 30, 2014 and 2013:

**Net Position for the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		District Total	
	2014	2013	2014	2013	2014	2013
Current assets and other assets	\$ 10,377,356	\$ 9,390,203	\$ 434,516	\$ 463,751	\$ 10,811,872	\$ 9,853,954
Capital assets	17,372,426	16,449,318	1,024,597	1,050,718	18,397,023	17,500,036
<b>Total assets</b>	<b>27,749,782</b>	<b>25,839,521</b>	<b>1,459,113</b>	<b>1,514,469</b>	<b>29,208,895</b>	<b>27,353,990</b>
Current liabilities	1,479,086	819,122	-	12	1,479,086	819,134
Noncurrent liabilities	6,919,536	5,968,865	-	-	6,919,536	5,968,865
<b>Total liabilities</b>	<b>8,398,622</b>	<b>6,787,987</b>	<b>-</b>	<b>12</b>	<b>8,398,622</b>	<b>6,787,999</b>
Investment in capital assets (net of debt)	9,851,384	9,983,862	1,024,597	1,050,718	10,875,981	11,034,580
Restricted	3,640,485	630,819	-	-	3,640,485	630,819
Unrestricted	5,859,291	8,436,853	434,516	463,739	6,293,807	8,900,592
<b>Total net position</b>	<b>\$ 19,351,160</b>	<b>\$ 19,051,534</b>	<b>\$ 1,459,113</b>	<b>\$ 1,514,457</b>	<b>\$ 20,810,273</b>	<b>\$ 20,565,991</b>

**Change in net position.** The District's governmental activities net position increased by \$299,626 and business-type activities net position decreased by \$55,344.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations for the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal by the SFCC of \$85,263. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of schedule of changes in the District's net position for the years ended June 30, 2014 and 2013:

**Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ -	\$ -	\$ 419,099	\$ 442,459	\$ 419,099	\$ 442,459
Operating grants and contributions	5,392,417	5,426,554	734,466	733,623	6,126,883	6,160,177
Capital grants and contributions	557,296	534,681	-	-	557,296	534,681
General revenues						
Property taxes	3,981,029	3,941,521	-	-	3,981,029	3,941,521
Other taxes	3,219,447	6,302,179	-	-	3,219,447	6,302,179
State aid	6,965,202	6,908,856	171,876	136,488	7,137,078	7,045,344
Investment earnings	28,706	29,928	1,129	1,122	29,835	31,050
Other	191,523	116,631	595	3,084	192,118	119,715
<b>Total revenues</b>	<b>20,335,620</b>	<b>23,260,350</b>	<b>1,327,165</b>	<b>1,316,776</b>	<b>21,662,785</b>	<b>24,577,126</b>
<b>Expenses</b>						
Instruction	11,237,527	11,021,962	-	-	11,237,527	11,021,962
Support services:						
Student	1,106,501	976,374	-	-	1,106,501	976,374
Instructional support	1,349,944	1,506,689	-	-	1,349,944	1,506,689
District administration	909,173	822,022	-	-	909,173	822,022
School administration	1,017,197	1,000,943	-	-	1,017,197	1,000,943
Business	854,310	1,031,252	-	-	854,310	1,031,252
Plant operations	1,674,128	1,649,712	-	-	1,674,128	1,649,712
Student transportation	1,411,742	1,331,313	-	-	1,411,742	1,331,313
Community services	159,316	163,383	-	-	159,316	163,383
Interest on long-term debt	254,837	263,000	-	-	254,837	263,000
Other	52,662	280,225	-	-	52,662	280,225
Food service	-	-	1,203,620	1,181,418	1,203,620	1,181,418
Day care	-	-	187,546	167,884	187,546	167,884
<b>Total expenses</b>	<b>20,027,337</b>	<b>20,046,875</b>	<b>1,391,166</b>	<b>1,349,302</b>	<b>21,418,503</b>	<b>21,396,177</b>
<b>Change in net position before transfers</b>	<b>308,283</b>	<b>3,213,475</b>	<b>(64,001)</b>	<b>(32,526)</b>	<b>244,282</b>	<b>3,180,949</b>
Transfers in (out)	(8,657)	(9,771)	8,657	9,771	-	-
<b>Change in net position after transfers</b>	<b>\$ 299,626</b>	<b>\$ 3,203,704</b>	<b>\$ (55,344)</b>	<b>\$ (22,755)</b>	<b>\$ 244,282</b>	<b>\$ 3,180,949</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, The District’s governmental funds reported combined ending fund balances of \$9,726,564, an increase of \$485,299 in comparison to prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2014 and 2013.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term obligations.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of fund balances for the fiscal years ended June 30, 2014 and 2013:

**Governmental Funds Balances as of June 30, 2014 and 2013:**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
<b>Governmental Funds</b>			
General Fund	\$ 6,215,355	\$ 6,000,446	\$ 214,909
Special Revenue Fund	36,215	50,031	(13,816)
Building Fund	347,990	250,900	97,090
Construction Fund	2,595,399	2,487,940	107,459
Debt Service Fund	(39,276)	(39,276)	-
Capital Outlay	<u>570,881</u>	<u>491,224</u>	<u>79,657</u>
Total governmental funds	<u>\$ 9,726,564</u>	<u>\$ 9,241,265</u>	<u>\$ 485,299</u>
<b>Proprietary Funds</b>			
Food Service Fund	\$ 1,459,113	\$ 1,514,457	\$ (55,344)
Day Care Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total proprietary funds	<u>\$ 1,459,113</u>	<u>\$ 1,514,457</u>	<u>\$ (55,344)</u>
<b>Fiduciary Funds</b>			
School Activity Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fiduciary funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$3,214,319, while total fund balance reached \$6,242,043. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 19.17% of the total General Fund expenditures, while total fund balance represents 37.22% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$214,909. This increase in General Fund balance was primarily due to controlling expenditures, within the available revenues. Revenues, transfers, and proceeds from sale of fixed assets in totaling \$17,074,742 decreased \$2,874,282, while expenditures and transfers out totaling \$16,859,833 decreased \$2,458,632.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of 5%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$3,219,562 of state payments on-behalf of District employees for retirement, health benefits, technology, and debt service. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2014, excluding interfund transfers, beginning balances, and on-behalf payments, were \$13,840,088; compared to the total budgeted revenues of \$12,331,289.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2014, excluding interfund transfers and on-behalf payments, were \$13,546,589; compared to the total budgeted expenditures of \$18,294,060.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local, and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation.

Funds 310 and 320 are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2014, the District had \$18,397,023 invested in capital assets net of depreciation: historical cost totaled \$34,661,037 with accumulated depreciation totaling \$16,264,014. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Funds in the amount of \$1,991,276 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$1,094,289, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 4 to the financial statements.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2014 and 2013.

**Net Capital Assets for the Fiscal Years Ended June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 276,300	\$ 276,300	\$ -	\$ -	\$ 276,300	\$ 276,300
Construction in progress	1,707,310	-	-	-	1,707,310	-
Buildings and improvements	13,454,971	13,993,108	993,832	1,022,639	14,448,803	15,015,747
Land improvements	88,741	94,316	-	-	88,741	94,316
Technology equipment	446,413	674,732	6,106	8,786	452,519	683,518
Vehicles	1,205,295	1,197,449	-	-	1,205,295	1,197,449
General equipment	193,396	213,413	24,659	19,293	218,055	232,706
	<u>\$ 17,372,426</u>	<u>\$ 16,449,318</u>	<u>\$ 1,024,597</u>	<u>\$ 1,050,718</u>	<u>\$ 18,397,023</u>	<u>\$ 17,500,036</u>

**Long-Term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2014 were \$7,520,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$2,998,535 of the bonds leaving the District to pay \$4,521,465. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses and office equipment, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 5 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc. The Superintendent and Finance Officer work with the members of the Board to insure there are controlled expenditures for capital outlay that may arise without causing a decrease to the funding for the education and safety of our students.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or Finance Officer (270. 522.6075) or by mail at 202 Main Street, Cadiz, KY 42211.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TRIGG COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,955,515	\$ 411,626	\$ 4,367,141
Investments	5,956,000	-	5,956,000
Accounts receivable:			
Taxes	123,842	-	123,842
Other	26,908	-	26,908
Intergovernmental - indirect federal	315,091	-	315,091
Inventory	-	22,890	22,890
Capital assets:			
Land	276,300	-	276,300
Construction work in progress	1,707,310	-	1,707,310
Other capital assets, net of depreciation	15,388,816	1,024,597	16,413,413
Total assets	27,749,782	1,459,113	29,208,895
<b>LIABILITIES</b>			
Accounts payable	650,232	-	650,232
Unearned revenue	560	-	560
Accrued interest	39,957	-	39,957
Long term obligations			
Portion due or payable within one year:			
Bonds payable	765,000	-	765,000
Capital leases	23,337	-	23,337
Compensated absences	-	-	-
Portion due or payable after one year			
Bonds payable	6,691,470	-	6,691,470
Capital leases	41,235	-	41,235
Compensated absences	186,831	-	186,831
Total liabilities	8,398,622	-	8,398,622
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	9,851,384	1,024,597	10,875,981
Restricted for:			
SFCC escrow	347,990	-	347,990
Capital projects	3,166,280	-	3,166,280
Compensated absences	90,000	-	90,000
Matching funds for grants	36,215	-	36,215
Unrestricted	5,859,291	434,516	6,293,807
Total net position	\$ 19,351,160	\$ 1,459,113	\$ 20,810,273

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
<b>Governmental Activities:</b>					
<b>Current:</b>					
Instruction	\$ 11,237,527	\$ -	\$ 3,169,630	\$ -	\$ (8,067,897)
Support services:					
Student	1,106,501	-	340,543	-	(765,958)
Instructional staff	1,349,944	-	681,699	-	(668,245)
District administrative	909,173	-	98,022	-	(811,151)
School administrative	1,017,197	-	259,341	-	(757,856)
Business	854,310	-	239,224	-	(615,086)
Plant operation and maintenance	1,674,128	-	191,388	-	(1,482,740)
Student transportation	1,411,742	-	262,181	-	(1,149,561)
Community service activities	159,316	-	150,389	-	(8,927)
Facilities acquisition and construction	25,962	-	-	-	(25,962)
Interest on long-term debt	254,837	-	-	557,296	302,459
Bond issue costs	26,700	-	-	-	(26,700)
<b>Total governmental activities</b>	<b>20,027,337</b>	<b>-</b>	<b>5,392,417</b>	<b>557,296</b>	<b>(14,077,624)</b>
<b>Business-Type Activities:</b>					
Food service	1,203,620	278,574	734,466	-	(190,580)
Day care services	187,546	140,525	-	-	(47,021)
<b>Total business-type activities</b>	<b>1,391,166</b>	<b>419,099</b>	<b>734,466</b>	<b>-</b>	<b>(237,601)</b>
<b>Total activities</b>	<b>\$ 21,418,503</b>	<b>\$ 419,099</b>	<b>\$ 6,126,883</b>	<b>\$ 557,296</b>	<b>\$ (14,315,225)</b>
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Changes in Net Position</b>					
Net Revenues (Expenses)		\$ (14,077,624)	\$ (237,601)	\$ (14,315,225)	
<b>General Revenues</b>					
Taxes:					
Property		3,981,029	-	3,981,029	
Motor vehicle		450,329	-	450,329	
Utilities		908,672	-	908,672	
Other		1,860,446	-	1,860,446	
Investment earnings		28,706	1,129	29,835	
State aid		6,965,202	171,876	7,137,078	
Gain (loss) on sale of fixed assets		9,724	-	9,724	
Miscellaneous		181,799	595	182,394	
<b>Total general revenues</b>		<b>14,385,907</b>	<b>173,600</b>	<b>14,559,507</b>	
<b>Change in net position before transfers</b>		<b>308,283</b>	<b>(64,001)</b>	<b>244,282</b>	
Transfers in (out)		(8,657)	8,657	-	
<b>Change in net position after transfers</b>		<b>299,626</b>	<b>(55,344)</b>	<b>244,282</b>	
<b>Net position, July 1, 2013</b>		<b>19,051,534</b>	<b>1,514,457</b>	<b>20,565,991</b>	
<b>Net position, June 30, 2014</b>		<b>\$ 19,351,160</b>	<b>\$ 1,459,113</b>	<b>\$ 20,810,273</b>	

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**TRIGG COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 135,293	\$ (278,316)	\$ 3,218,943	\$ 879,595	\$ 3,955,515
Investments	5,956,000	-	-	-	5,956,000
Accounts receivable:					
Taxes	123,842	-	-	-	123,842
Other	26,908	-	-	-	26,908
Intergovernmental - indirect federal	-	315,091	-	-	315,091
 Total assets	<u>\$ 6,242,043</u>	<u>\$ 36,775</u>	<u>\$ 3,218,943</u>	<u>\$ 879,595</u>	<u>\$ 10,377,356</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 26,688	\$ -	\$ 623,544	\$ -	\$ 650,232
Unearned revenue	-	560	-	-	560
 Total liabilities	<u>26,688</u>	<u>560</u>	<u>623,544</u>	<u>-</u>	<u>650,792</u>
Fund balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	90,000	36,215	2,595,399	879,595	3,601,209
Committed	1,893,773	-	-	-	1,893,773
Assigned	1,017,263	-	-	-	1,017,263
Unassigned	3,214,319	-	-	-	3,214,319
 Total fund balances	<u>6,215,355</u>	<u>36,215</u>	<u>2,595,399</u>	<u>879,595</u>	<u>9,726,564</u>
 Total liabilities and fund balances	<u>\$ 6,242,043</u>	<u>\$ 36,775</u>	<u>\$ 3,218,943</u>	<u>\$ 879,595</u>	<u>\$ 10,377,356</u>

See accompanying notes to financial statements

**TRIGG 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		\$ 9,726,564
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$32,913,437, and the accumulated depreciation is \$15,541,011.</p>		
		17,372,426
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:</p>		
Bond obligations	\$ (7,444,297)	
Bond premium	(12,173)	
Capital lease obligations	(64,572)	
Accrued interest on bonds	(39,957)	
Noncurrent portion of accumulated sick leave	(186,831)	(7,747,830)
Net position for governmental activities		<u><u>\$ 19,351,160</u></u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
From local sources:					
Taxes					
Property	\$ 3,476,642	\$ -	\$ -	\$ 504,387	\$ 3,981,029
Motor vehicle	450,329	-	-	-	450,329
Utilities	908,672	-	-	-	908,672
Other	1,860,446	-	-	-	1,860,446
Student activities	127,839	-	-	-	127,839
Earnings on investments	29,015	281	43	3,060	32,399
Other local revenues	53,960	-	-	-	53,960
Intergovernmental - state	10,152,747	859,231	-	557,296	11,569,274
Intergovernmental - federal	-	1,345,641	-	-	1,345,641
<b>Total revenues</b>	<u>17,059,650</u>	<u>2,205,153</u>	<u>43</u>	<u>1,064,743</u>	<u>20,329,589</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instruction	9,584,339	1,193,314	-	-	10,777,653
Support services:					
Student	1,007,131	65,588	-	-	1,072,719
Instructional staff	657,800	553,864	-	-	1,211,664
District administration	850,373	20,000	-	-	870,373
School administration	972,541	41,019	-	-	1,013,560
Business	695,147	148,232	-	-	843,379
Plant operation and maintenance	1,608,793	-	-	-	1,608,793
Student transportation	1,334,178	83,625	-	-	1,417,803
Community service activities	2,040	154,134	-	-	156,174
Land improvements/acquisition	5,700	-	-	-	5,700
Site improvement	22,395	-	-	-	22,395
Building improvements	-	-	1,705,177	-	1,705,177
Debt service	25,714	-	-	887,996	913,710
Bond issuance costs	-	-	26,700	-	26,700
<b>Total expenditures</b>	<u>16,766,151</u>	<u>2,259,776</u>	<u>1,731,877</u>	<u>887,996</u>	<u>21,645,800</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>293,499</u>	<u>(54,623)</u>	<u>(1,731,834)</u>	<u>176,747</u>	<u>(1,316,211)</u>
<b>Other financing sources (uses)</b>					
Proceeds from disposal of fixed assets	9,724	-	-	-	9,724
Bond proceeds, net of discount	-	-	1,800,443	-	1,800,443
Operating transfers in	5,368	46,175	38,850	731,104	821,497
Operating transfers out	(93,682)	(5,368)	-	(731,104)	(830,154)
Total other financing sources (uses)	<u>(78,590)</u>	<u>40,807</u>	<u>1,839,293</u>	<u>-</u>	<u>1,801,510</u>
<b>Net changes in fund balances</b>	214,909	(13,816)	107,459	176,747	485,299
<b>Fund balances, July 1, 2013</b>	<u>6,000,446</u>	<u>50,031</u>	<u>2,487,940</u>	<u>702,848</u>	<u>9,241,265</u>
<b>Fund balances, June 30, 2014</b>	<u>\$ 6,215,355</u>	<u>\$ 36,215</u>	<u>\$ 2,595,399</u>	<u>\$ 879,595</u>	<u>\$ 9,726,564</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in total fund balances per fund financial statements \$ 485,299

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	1,983,536	
Depreciation expense	<u>(1,060,428)</u>	923,108

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold.

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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.

Bond proceeds	(1,830,000)	
Discount on bonds	29,557	
Bond payments	675,000	
Capital lease payments	<u>22,452</u>	(1,102,991)

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Amortization of bond discount	(15,982)	
Amortization of bond premium	1,259	
Increase in accrued interest payable	(1,405)	
Decrease in compensated absences	<u>14,030</u>	(2,098)

Accrued interest on investments (3,692)

Change in net position of governmental activities \$ 299,626

See accompanying notes to financial statements

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**TRIGG COUNTY SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	School Food Service Fund	Day Care Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 411,626	\$ -	\$ 411,626
Inventory	22,890	-	22,890
Total current assets	<u>434,516</u>	<u>-</u>	<u>434,516</u>
Noncurrent assets			
Capital assets	1,747,600	-	1,747,600
Less: accumulated depreciation	<u>(723,003)</u>	<u>-</u>	<u>(723,003)</u>
Total noncurrent assets	<u>1,024,597</u>	<u>-</u>	<u>1,024,597</u>
Total assets	<u>\$ 1,459,113</u>	<u>\$ -</u>	<u>\$ 1,459,113</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,024,597	-	1,024,597
Unrestricted	<u>434,516</u>	<u>-</u>	<u>434,516</u>
Total net position	<u>\$ 1,459,113</u>	<u>\$ -</u>	<u>\$ 1,459,113</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	School Food Service Fund	Day Care Fund	Total
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 278,574	\$ -	\$ 278,574
Child care fees	-	140,525	140,525
Other revenue	50	545	595
<b>Total operating revenues</b>	<u>278,624</u>	<u>141,070</u>	<u>419,694</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	584,478	187,546	772,024
Materials and supplies	531,752	-	531,752
Depreciation	33,861	-	33,861
Contract services	52,924	-	52,924
Other operating expenses	605	-	605
<b>Total operating expenses</b>	<u>1,203,620</u>	<u>187,546</u>	<u>1,391,166</u>
<b>Operating income (loss)</b>	<u>(924,996)</u>	<u>(46,476)</u>	<u>(971,472)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	675,189	-	675,189
Donated commodities	59,277	-	59,277
State grants	10,504	96	10,600
State on-behalf payments	123,553	37,723	161,276
Operating transfers in (out)	-	8,657	8,657
Interest income	1,129	-	1,129
<b>Total non-operating revenues (expenses)</b>	<u>869,652</u>	<u>46,476</u>	<u>916,128</u>
<b>Change in net position</b>	(55,344)	-	(55,344)
<b>Net position, July 1, 2013</b>	<u>1,514,457</u>	<u>-</u>	<u>1,514,457</u>
<b>Net position, June 30, 2014</b>	<u>\$ 1,459,113</u>	<u>\$ -</u>	<u>\$ 1,459,113</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	School Fund Service Fund	Day Care Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 333,516	\$ -	\$ 333,516
Child care fees	-	140,525	140,525
Other activities	50	545	595
Cash paid to/for:			
Employees	(460,925)	(149,823)	(610,748)
Supplies	(465,961)	-	(465,961)
Other activities	(53,530)	-	(53,530)
<b>Net cash provided (used) by operating activities</b>	<u>(646,850)</u>	<u>(8,753)</u>	<u>(655,603)</u>
<b>Cash flows from noncapital financing activities</b>			
Operating transfers in (out)	-	8,657	8,657
Government grants	685,693	96	685,789
<b>Net cash provided (used) by noncapital financing activities</b>	<u>685,693</u>	<u>8,753</u>	<u>694,446</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	(7,740)	-	(7,740)
Receipt of interest income	1,130	-	1,130
<b>Net cash provided (used) by investing activities</b>	<u>(6,610)</u>	<u>-</u>	<u>(6,610)</u>
Net increase (decrease) in cash and cash equivalents	32,233	-	32,233
Balances, beginning of year	<u>379,393</u>	<u>-</u>	<u>379,393</u>
Balances, end of year	<u>\$ 411,626</u>	<u>\$ -</u>	<u>\$ 411,626</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>School Fund Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (924,996)	\$ (46,476)	\$ (971,472)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Depreciation	33,861	-	33,861
Donated commodities	59,277	-	59,277
State on-behalf payments	123,553	37,723	161,276
Change in assets and liabilities:			
Accounts receivable	54,942	-	54,942
Inventory	6,526	-	6,526
Accounts payable	(13)	-	(13)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (646,850)</u></b>	<b><u>\$ (8,753)</u></b>	<b><u>\$ (655,603)</u></b>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 59,277	\$ -	\$ 59,277
On-behalf payments	123,553	37,723	161,276

See accompanying notes to financial statements

**FIDUCIARY FUND FINANCIAL STATEMENT**

**TRIGG COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 169,970
Accounts receivable	-
Total assets	169,970
 <b>LIABILITIES</b>	
Accounts payable	-
Due to student groups	169,970
Total liabilities	169,970
<b>NET POSITION</b>	\$ -

See accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Trigg 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 education within the jurisdiction of the Trigg County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Trigg County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

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

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

**Trigg County School District Finance Corporation** – On March 12, 1992, Trigg County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) was formed as an agency of the District for financing the costs of school building facilities. The Board Members of the Trigg County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 programs 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 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 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 Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth.

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

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

**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.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

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 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. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the State as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations).

The *Facility Support Program of Kentucky Fund (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.

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

Proprietary Funds

Proprietary funds are used to account for ongoing 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. The funds' principal operating revenues are food service charges and day care charges. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA).

The *Day Care Fund* is used to account for school day and after-school day care program activities. Revenues are generated by collection of fees from program participants. Expenditures are for operating activities of the program.

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. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

Agency funds consist of activity funds, which are established at each school to account for the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The *Student Activity Funds* account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means expected to be received within 60 days after fiscal year-end.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2014 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2014 to finance the General Fund operations were \$.489 per \$100 valuation for real property, \$.489 per \$100 valuation for business tangible personal property and \$.459 per \$100 valuation for motor vehicles.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2014. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market fund, and time deposits that are nonnegotiable, to be cash and cash equivalents, for government, proprietary and fiduciary funds. This definition is also used for the proprietary funds' statement of cash flows.

Prepaid Expenditures

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Interfund Balances

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

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420.3.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The following are the capitalization thresholds for asset purchases with an estimated life of greater than one year:

- Land improvements, building and building improvements, leasehold improvements - \$25,000
- Software - \$5,000 per license agreement
- Infrastructure - 5% of total assets
- Vehicles - \$5,000
- Technology and general equipment - \$1,000 (workstations (CPU) are an exception with these capitalized regardless of cost)

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

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

**Accrued Liabilities and Long-Term Obligations**

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

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

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

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

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

Fund Balances

In the fund financial statements, governmental fund balances as classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned, and then unassigned fund balances.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through November 14, 2014, which is the date the financial statements were available to be issued.

New GASB Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management has made a determination that GASB 67 does not have any impact on the District's financial statements as the District participates in a multiple-employer plan (and is not the trustee).

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2014, the carrying amount of the District's deposits was \$4,537,111 and the bank balance was \$6,711,936. Of the District's bank balances, \$500,000 was covered by Federal Deposit Insurance, with the remaining balance of \$6,211,936 collateralized as discussed above.

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

Government funds	\$ 3,955,515
Proprietary funds	411,626
Fiduciary funds	<u>169,970</u>
	<u><u>\$ 4,537,111</u></u>

**NOTE 3 – INVESTMENTS**

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value (Cost)</u>
CD - CADRE Securities	Greater than 90 days	\$ 5,456,000
CD - Heritage Bank	Greater than 90 days	<u>500,000</u>
		<u><u>\$ 5,956,000</u></u>

The balance of CADRE Securities includes 14 certificates of deposit at different individual financial institutions. Each of the certificates is insured 100% by FDIC at the bank in which each certificate is held. The Heritage Bank certificates of deposit are fully insured or collateralized.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – INVESTMENTS, continued**

Interest Rate Risk

The District does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, certificates of deposit are not subject to interest rate risk.

The District does not have an investment policy for custodial credit risk. In general, certificates of deposit are not subject to investment credit risk.

**NOTE 4 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
Capital assets not depreciated:				
Land	\$ 276,300	\$ -	\$ -	\$ 276,300
Construction in progress	-	1,707,310	-	1,707,310
Total nondepreciable historical cost	<u>276,300</u>	<u>1,707,310</u>	<u>-</u>	<u>1,983,610</u>
Capital assets depreciated:				
Building and improvements	24,371,453	50,000	-	24,421,453
Land improvements	111,505	-	-	111,505
Technology equipment	2,467,082	5,310	-	2,472,392
Vehicles	2,940,064	207,916	214,034	2,933,946
General equipment	977,531	13,000	-	990,531
Total depreciable historical cost	<u>30,867,635</u>	<u>276,226</u>	<u>214,034</u>	<u>30,929,827</u>
Less: accumulated depreciation				
Building and improvements	10,378,345	588,137	-	10,966,482
Land improvements	17,189	5,575	-	22,764
Technology equipment	1,792,350	233,629	-	2,025,979
Vehicles	1,742,615	200,070	214,034	1,728,651
General equipment	764,118	33,017	-	797,135
Total accumulated depreciation	<u>14,694,617</u>	<u>1,060,428</u>	<u>214,034</u>	<u>15,541,011</u>
Total depreciable historical cost - net	<u>16,173,018</u>	<u>(784,202)</u>	<u>-</u>	<u>15,388,816</u>
Governmental activities capital assets - net	<u>\$ 16,449,318</u>	<u>\$ 923,108</u>	<u>\$ -</u>	<u>\$ 17,372,426</u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

Support services:

Instruction	\$ 532,326
Student	33,782
Instructional staff	138,280
District administration	58,140
School administration	3,637
Business	10,931
Plant operation and maintenance	78,335
Student transportation	201,855
Community service activities	<u>3,142</u>
	<u><u>\$ 1,060,428</u></u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Business-Type Activities</b>				
Capital assets depreciated:				
Buildings and improvements	\$ 1,440,338	\$ -	\$ -	\$ 1,440,338
Technology equipment	28,445	-	-	28,445
General equipment	<u>271,077</u>	<u>7,740</u>	<u>-</u>	<u>278,817</u>
Total depreciable historical cost	<u>1,739,860</u>	<u>7,740</u>	<u>-</u>	<u>1,747,600</u>
Less: accumulated depreciation				
Buildings and improvements	417,699	28,807	-	446,506
Technology equipment	19,659	2,680	-	22,339
General equipment	<u>251,784</u>	<u>2,374</u>	<u>-</u>	<u>254,158</u>
Total accumulated depreciation	<u>689,142</u>	<u>33,861</u>	<u>-</u>	<u>723,003</u>
Business-type activities, capital assets - net	<u><u>\$ 1,050,718</u></u>	<u><u>\$ (26,121)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,024,597</u></u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District’s future obligations to make payments related to school building revenue bonds issued by the Trigg County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected in the fund financial statements.

Issue Date	Proceeds	Maturity Dates	Rates
2006	\$ 855,000	2026	3.75% - 4.15%
2009	5,220,000	2019	2.50% - 3.50%
2012	2,470,000	2024	1.00% - 2.50%
2013	1,830,000	2034	2.00% - 4.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Trigg County School District 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. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table that follows 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 December 2, 2013, the District issued Series 2013, School Building Revenue Bonds in the amount of \$1,830,000 for facility construction.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – BONDED DEBT AND LEASE OBLIGATIONS, 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>SFCC Participation</u>	<u>District's Portion</u>
2015	\$ 765,000	\$ 224,095	\$ 255,192	\$ 733,903
2016	785,000	202,039	260,754	726,285
2017	800,000	178,851	256,035	722,816
2018	830,000	153,761	256,276	727,485
2019	850,000	127,591	256,313	721,278
2020-2024	2,325,000	378,081	1,267,225	1,435,856
2025-2029	605,000	163,595	768,595	-
2030-2034	560,000	55,400	615,400	-
	<u>\$ 7,520,000</u>	<u>\$ 1,483,413</u>	<u>\$ 3,935,790</u>	<u>\$ 5,067,623</u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – BONDED DEBT AND LEASE OBLIGATIONS, continued**

The changes in outstanding debt are as follows:

<u>Bonds</u>	Balance July 1, 2013	New Issues/ Adjustments	Debt Payments/ Refunds	Balance June 30, 2014
Series 2004	\$ 30,000	\$ -	\$ 30,000	\$ -
Series 2006	630,000	-	40,000	590,000
Series 2009	3,285,000	-	510,000	2,775,000
Series 2012	2,420,000	-	95,000	2,325,000
Series 2013	-	1,830,000	-	1,830,000
Total series	<u>6,365,000</u>	<u>1,830,000</u>	<u>675,000</u>	<u>7,520,000</u>
<u>Capital Leases</u>				
KISTA 2006 bus lease	<u>87,024</u>	<u>-</u>	<u>22,452</u>	<u>64,572</u>
Total capital leases	<u>87,024</u>	<u>-</u>	<u>22,452</u>	<u>64,572</u>
<u>Compensated Absences</u>				
Sick leave	<u>200,861</u>	<u>-</u>	<u>14,030</u>	<u>186,831</u>
Discount on bonds	(62,127)	(29,557)	(15,981)	(75,703)
Premium on bonds	<u>13,432</u>	<u>-</u>	<u>1,259</u>	<u>12,173</u>
Totals	<u>\$ 6,604,190</u>	<u>\$ 1,800,443</u>	<u>\$ 696,760</u>	<u>\$ 7,707,873</u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 – CAPITAL LEASE OBLIGATIONS**

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

Year ending June 30,	Capital Leases Payable
2015	\$ 25,785
2016	21,811
2017	21,810
Total minimum lease payments	69,406
Less: Amount representing interest	(4,834)
Present value of net minimum lease payments	\$ 64,572

The following is an analysis of the book values of the leased property under capital lease by class:

Classes of Property	Book value as of June 30, 2014
Buses	\$ 47,041
Band instruments	10,403
Software	1,605

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 – FUND BALANCE**

The following is a summary of designations of Fund Balance at June 30, 2014:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Compensated absences	90,000	-	-	90,000
Debt service	-	-	(39,276)	(39,276)
SFCC escrow	-	-	347,990	347,990
Construction	-	-	3,166,280	3,166,280
Technology	-	36,215	-	36,215
Assigned:				
Site based carry forward	24,717	-	-	24,717
Site improvement	692,546	-	-	692,546
Construction	250,000	-	-	250,000
Furniture and fixtures	50,000	-	-	50,000
Committed:				-
New school buses	225,000	-	-	225,000
KETS matching	37,032	-	-	37,032
KISTA payments	25,787	-	-	25,787
Technology	300,000	-	-	300,000
Land acquisition	700,000	-	-	700,000
Gas tanks and pumps	500,000	-	-	500,000
Other	105,954	-	-	105,954
Unassigned	<u>3,214,319</u>	<u>-</u>	<u>-</u>	<u>3,214,319</u>
	<u>\$ 6,215,355</u>	<u>\$ 36,215</u>	<u>\$ 3,474,994</u>	<u>\$ 9,726,564</u>

**NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2014

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – PENSION PLANS**

The District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS). These are cost-sharing, multiple-employer defined benefit plans. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). CERS administers similar programs for its employees and beneficiaries of county governmental entities, which includes classified employees of the District. Any benefit amendments of KTRS must be authorized by the State Legislature. The Board of Trustees of the Kentucky Retirement System administers CERS, and under provision of Kentucky Revised Statute Section 61.645, has the authority to establish and amend benefits.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>. CERS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

Contribution rates for both plans are determined by the legislature. KTRS members are required to contribute 11.355% of the employees' salaries to KTRS and the Commonwealth is required to contribute 14.605% of salaries. The federal program for any salaries paid by that program is required to pay the matching contribution. The District is required to contribute 1.50% of all KTRS member salaries to KTRS. CERS members hired on or after September 1, 2008, are required to contribute 6% of their salaries to CERS. The District is required to contribute 18.89% of all CERS salaries.

The District's total payroll for the year was \$12,021,505. The payroll for employees covered under KTRS was \$8,963,899 and CERS was \$2,738,235.

The contribution requirement for CERS for the year ended June 30, 2014 was \$658,756 which consisted of \$516,387 from the District and \$142,369 from the employees. The Commonwealth contributed \$1,174,091 to KTRS for the benefit of participating employees. The District contributions to KTRS were \$179,901, which represents \$50,629 for those employees covered by federal programs and \$129,271 for all other KTRS employees.

The three year trend information for the District's contribution requirement to KTRS and CERS is as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2014	\$ 696,288	100%
6/30/2013	609,272	100%
6/30/2012	599,917	100%

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – PENSION PLANS, continued**

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. The following table presents certain information regarding the plans' status as of the whole, derived from actuarial valuations (all dollar amounts are \$1,000's) performed as of June 30, 2013, (the actuarial reports for the year ended June 30, 2014 are not available):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL
KTRS	\$ 14,962,758	\$ 28,817,232	\$ 13,854,474
CERS	7,438,785	12,503,081	5,064,295
	Funded Ratio	Covered Payroll	Underfunded Actuarial Liability as Percentage of Covered Payroll
KTRS	51.90%	\$ 3,480,066	398.10%
CERS	59.50%	2,697,950	187.71%

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets

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.

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* – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, three percent (3%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if, based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of 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.

KSBIT

The District has been notified by the Kentucky School Board Insurance Trust of a \$174,124 liability for workers compensation losses incurred by the Trust. The District paid 25% down payment of \$43,531 in August 2014. The District chose to pay the remaining liability of \$130,593 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

**NOTE 11 – RISK MANAGEMENT AND LITIGATION**

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 worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards' Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund is based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 11 – RISK MANAGEMENT AND LITIGATION, continued**

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District’s financial statements.

**NOTE 12 – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker’s compensation insurance.

**NOTE 13 – COBRA**

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**NOTE 14 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year’s economic financial resources. These amounts are recorded in the account “accrued sick leave payable” in the General Fund. The amount estimated for expenditure for school year 2013 is \$-0-. Management has estimated that the long-term obligation will be approximately \$186,831.

**NOTE 15 – TRANSFER OF FUNDS**

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	Matching funds	\$ 46,175
General	Day Care	Operations	8,657
General	Construction	Building improvements	38,850
Special Revenue	General Fund	FY 12 correction	5,368
Capital Outlay	Debt Service	Interest payment	19,710
Capital Outlay	Debt Service	Debt payments	92,274
Building	Debt Service	Interest payment	54,560
Building	Debt Service	Debt payments	564,560
			<u>\$ 830,154</u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 16 – DEFICIT OPERATING FUND BALANCES**

The Debt Service Fund had a deficit fund balance of \$39, 276 at June 30, 2014. Also, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

Special Revenue Fund	<u><u>\$ (13,816)</u></u>
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**NOTE 17 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2014:

Contribution to Kentucky Teachers'	
Retirement System	\$ 1,174,091
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	2,174,731
Technology	32,016
Debt Service	<u>156,892</u>
	<u><u>\$ 3,537,730</u></u>

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities:	
General Fund	\$ 3,219,562
Debt Service Fund	156,892
Business-type activities:	
Food Service Fund	123,553
Day Care Fund	<u>37,723</u>
	<u><u>\$ 3,537,730</u></u>

**SUPPLEMENTARY INFORMATION**

**TRIGG COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 3,331,117	\$ 3,382,650	\$ 3,476,642	\$ 93,992
Motor vehicle	400,000	425,000	450,329	25,329
Utilities	875,000	875,000	908,672	33,672
Other	650,000	650,000	1,860,446	1,210,446
Student activities	-	126,359	127,839	1,480
Earnings on investments	30,000	30,000	29,015	(985)
Other local revenues	50,500	50,945	53,960	3,015
Intergovernmental - state	6,806,778	6,789,835	6,933,185	143,350
Intergovernmental - federal	1,500	1,500	-	(1,500)
<b>Total revenues</b>	<b>12,144,895</b>	<b>12,331,289</b>	<b>13,840,088</b>	<b>1,508,799</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	7,565,663	7,709,079	7,579,030	130,049
Support services:				
Student	812,191	755,256	730,582	24,674
Instructional staff	623,966	644,602	516,508	128,094
District administration	1,110,050	1,173,639	739,848	433,791
School administration	754,333	759,755	753,223	6,532
Business	828,854	828,777	600,554	228,223
Plant operation and maintenance	1,670,923	1,652,706	1,417,405	235,301
Student transportation	1,831,169	1,835,252	1,153,590	681,662
Community service activities	40	1,044	2,040	(996)
Land/site acquisitions	753,000	805,956	-	805,956
Land improvements/acquisition	648,315	701,271	5,700	695,571
Site improvement	311,100	311,100	22,395	288,705
Debt service	25,714	25,714	25,714	-
Contingency	1,023,902	1,089,909	-	1,089,909
<b>Total expenditures</b>	<b>17,959,220</b>	<b>18,294,060</b>	<b>13,546,589</b>	<b>4,747,471</b>
<b>Excess (deficit) of revenues   over (under) expenditures</b>	<b>(5,814,325)</b>	<b>(5,962,771)</b>	<b>293,499</b>	<b>6,256,270</b>
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	8,500	8,500	9,724	1,224
Operating transfers in	-	-	5,368	5,368
Operating transfers out	(46,175)	(46,175)	(93,682)	(47,507)
<b>Total other financing sources (uses)</b>	<b>(37,675)</b>	<b>(37,675)</b>	<b>(78,590)</b>	<b>(40,915)</b>
<b>Net change in fund balance</b>	<b>(5,852,000)</b>	<b>(6,000,446)</b>	<b>214,909</b>	<b>6,215,355</b>
<b>Fund balance, July 1, 2013</b>	<b>5,852,000</b>	<b>6,000,446</b>	<b>6,000,446</b>	<b>-</b>
<b>Fund balance, June 30, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,215,355</b>	<b>\$ 6,215,355</b>

**TRIGG COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 281	\$ 281
Intergovernmental - state	817,303	807,114	859,231	52,117
Intergovernmental - federal	1,216,136	1,311,879	1,345,641	33,762
<b>Total revenues</b>	<u>2,033,439</u>	<u>2,118,993</u>	<u>2,205,153</u>	<u>86,160</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	1,198,132	1,231,327	1,193,314	38,013
Support services:				
Student	12,216	70,872	65,588	5,284
Instructional staff	490,578	471,142	553,864	(82,722)
District administration	20,000	20,000	20,000	-
School administration	40,961	41,311	41,019	292
Business	92,350	92,350	148,232	(55,882)
Student transportation	72,303	84,525	83,625	900
Community services	153,074	153,641	154,134	(493.00)
<b>Total expenditures</b>	<u>2,079,614</u>	<u>2,165,168</u>	<u>2,259,776</u>	<u>(94,608)</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(46,175)</u>	<u>(46,175)</u>	<u>(54,623)</u>	<u>(8,448)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	46,175	46,175	46,175	-
Operating transfers out	-	-	(5,368)	5,368
<b>Total other financing sources (uses)</b>	<u>46,175</u>	<u>46,175</u>	<u>40,807</u>	<u>5,368</u>
<b>Net change in fund balance</b>	-	-	(13,816)	(13,816)
<b>Fund balance, July 1, 2013</b>	-	-	50,031	50,031
<b>Fund balance, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,215</u>	<u>\$ 36,215</u>

**TRIGG COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CONSTRUCTION FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ -	\$ 43	\$ 43
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>43</u>	<u>43</u>
<b>EXPENDITURES</b>				
Building improvements	-	38,500	1,705,177	(1,666,677)
Bond issuance costs	-	-	26,700	(26,700)
<b>Total expenditures</b>	<u>-</u>	<u>38,500</u>	<u>1,731,877</u>	<u>(1,666,677)</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>-</u>	<u>(38,500)</u>	<u>(1,731,834)</u>	<u>(1,693,334)</u>
<b>Other financing sources (uses)</b>				
Bond proceeds, net of discount	-	-	1,800,443	-
Operating transfers in	-	38,500	38,850	350
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>38,500</u>	<u>1,839,293</u>	<u>350</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>107,459</u>	<u>107,459</u>
<b>Fund balance, July 1, 2013</b>	<u>-</u>	<u>-</u>	<u>2,487,940</u>	<u>2,487,940</u>
<b>Fund balance, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,595,399</u>	<u>\$ 2,595,399</u>

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**NOTE 1 – BUDGETARY INFORMATION**

The District’s budgetary process accounts for certain transactions on a basis other than GAAP. Differences between the budgetary accounting method and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General, Food Service, and Day Care Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District’s staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

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

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

**Reconciliation to the General Fund**

Revenues - budgetary basis	\$ 13,840,088
On-behalf payments	3,187,545
On-behalf technology	32,017
Total revenues - modified cash basis	<u>\$ 17,059,650</u>
Expenditures - budgetary basis	\$ 13,546,589
On-behalf payments	3,187,545
On-behalf technology	32,017
Total expenditures - modified cash basis	<u>\$ 16,766,151</u>

The Special Revenue fund had excess expenditures over appropriations of \$94,608.

**TRIGG COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 347,990	\$ 570,881	\$ (39,276)	\$ 879,595
Total assets and resources	<u>\$ 347,990</u>	<u>\$ 570,881</u>	<u>\$ (39,276)</u>	<u>\$ 879,595</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	347,990	570,881	(39,276)	879,595
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>347,990</u>	<u>570,881</u>	<u>(39,276)</u>	<u>879,595</u>
Total liabilities and fund balances	<u>\$ 347,990</u>	<u>\$ 570,881</u>	<u>\$ (39,276)</u>	<u>\$ 879,595</u>

**TRIGG COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>FSPK</u> <u>Fund</u>	<u>SEEK</u> <u>Capital</u> <u>Outlay</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 504,387	\$ -	\$ -	\$ 504,387
Earnings on investments	1,611	1,449	-	3,060
Intergovernmental - state	<u>210,211</u>	<u>190,193</u>	<u>156,892</u>	<u>557,296</u>
<b>Total revenues</b>	<u>716,209</u>	<u>191,642</u>	<u>156,892</u>	<u>1,064,743</u>
<b>EXPENDITURES</b>				
Debt service	<u>-</u>	<u>-</u>	<u>887,996</u>	<u>887,996</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>887,996</u>	<u>887,996</u>
<b>Excess (deficit) of revenues</b>				
<b>over (under) expenditures</b>	<u>716,209</u>	<u>191,642</u>	<u>(731,104)</u>	<u>176,747</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	731,104	731,104
Operating transfers out	<u>(619,119)</u>	<u>(111,985)</u>	<u>-</u>	<u>(731,104)</u>
<b>Total other financing</b>				
<b>sources (uses)</b>	<u>(619,119)</u>	<u>(111,985)</u>	<u>731,104</u>	<u>-</u>
<b>Net change in fund balances</b>	97,090	79,657	-	176,747
<b>Fund balances, July 1, 2013</b>	<u>250,900</u>	<u>491,224</u>	<u>(39,276)</u>	<u>702,848</u>
<b>Fund balances, June 30, 2014</b>	<u>\$ 347,990</u>	<u>\$ 570,881</u>	<u>\$ (39,276)</u>	<u>\$ 879,595</u>

**TRIGG COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
<b>TRIGG COUNTY HIGH SCHOOL:</b>							
Athletics							
General	\$ 72	\$ 7,408	\$ 6,326	\$ 1,154	\$ -	\$ -	\$ 1,154
KHSCA - Coaches	-	930	930	-	-	-	-
Baseball	-	4,885	4,045	840	-	-	840
Boys' Basketball	-	15,101	14,101	1,000	-	-	1,000
Football	-	26,667	25,832	835	-	-	835
Bowl Game	-	30,033	30,033	-	-	-	-
Girls' Basketball	-	6,451	6,451	-	-	-	-
Fishing	-	3,692	3,422	270	-	-	270
Cheerleading	-	3,031	3,031	-	-	-	-
Golf	-	3,573	3,573	-	-	-	-
Cross Country	-	2,609	2,609	-	-	-	-
Power lifting	228	569	704	93	-	-	93
Soccer (Boys)	-	6,480	6,307	173	-	-	173
Soccer (Girls)	-	5,559	5,559	-	-	-	-
Softball	-	6,205	6,205	-	-	-	-
Track	-	3,596	3,596	-	-	-	-
Volleyball	-	4,603	4,603	-	-	-	-
Wrestling	-	1,230	1,230	-	-	-	-
Wildcat Academy	420	-	420	-	-	-	-
5th District Tournament	-	733	733	-	-	-	-
Fundraising Boys' Basketball	179	8,896	8,140	935	-	-	935
Boys' Little League	-	4,980	3,918	1,062	-	-	1,062
Lady Wildcat Basketball League	-	2,528	2,489	39	-	-	39
Fundraising Girls' Basketball	608	10,396	11,000	4	-	-	4
Fundraising Cross Country	538	5,066	3,541	2,063	-	-	2,063
Fundraising Softball	1,310	11,742	8,820	4,232	-	-	4,232
Fundraising Volleyball	537	5,884	4,453	1,968	-	-	1,968
Fundraising Boys' Soccer	-	6,887	2,324	4,563	-	-	4,563
Fundraising Girls' Soccer	-	2,820	-	2,820	-	-	2,820
Junior Class	4,035	15,361	15,107	4,289	-	-	4,289
Senior Class	1,668	10,590	9,813	2,445	-	-	2,445

continued

**TRIGG COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
<b>TRIGG COUNTY HIGH SCHOOL, continued</b>							
Clubs							
Art	844	1,360	1,866	338	-	-	338
Beta	322	1,345	1,666	1	-	-	1
DECA	-	21,004	21,004	-	-	-	-
Drama	310	5,110	3,498	1,922	-	-	1,922
Environmental Science	559	1,478	654	1,383	-	-	1,383
Travel	182	-	-	182	-	-	182
FBLA	9	-	9	-	-	-	-
Fishing	277	50	327	-	-	-	-
FFA	3,037	36,798	35,177	4,658	-	-	4,658
FCCLA	-	2,284	2,284	-	-	-	-
Region FCCLA	627	1,158	1,785	-	-	-	-
Four-H	49	-	-	49	-	-	49
French	31	620	625	26	-	-	26
Gifted & Talented	129	9,700	9,800	29	-	-	29
HOSA	399	1,145	1,357	187	-	-	187
Interact	669	1,419	1,532	556	-	-	556
NHS	-	1,097	1,097	-	-	-	-
OM, Dunn	-	45	45	-	-	-	-
Relay for Life	584	-	-	584	-	-	584
Black Hole	-	1,018	692	326	-	-	326
FCA	61	320	318	63	-	-	63
TSA	896	4,345	3,936	1,305	-	-	1,305
Web Design	6,484	1,445	3,961	3,968	-	-	3,968
Youth Leaders	650	585	1,000	235	-	-	235

continued

**TRIGG COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
<b>TRIGG COUNTY HIGH SCHOOL, continued</b>							
Departments							
Agriculture	2	3,038	3,004	36	-	-	36
Ag Greenhouse	3,274	5,173	4,449	3,998	-	-	3,998
Annual	2,150	18,017	9,744	10,423	-	-	10,423
Art	677	1,437	2,114	-	-	-	-
Art & Humanities	442	328	222	548	-	-	548
Band	1,945	57,686	52,516	7,115	-	-	7,115
Business	1,250	2,840	363	3,727	-	-	3,727
Computer Lab	1,149	4,592	5,475	266	-	-	266
Drama	-	165	-	165	-	-	165
English	-	1,150	910	240	-	-	240
Guidance	238	12,064	11,575	727	-	-	727
Engineering	8,398	2,888	3,334	7,952	-	-	7,952
FACS - Advanced Foods	-	2,040	1,847	193	-	-	193
FACS - Advanced Parenting	308	651	797	162	-	-	162
FACS - Life Skills	25	203	200	28	-	-	28
FACS - Fashion & Interior	208	311	115	404	-	-	404
FMD	-	3,894	3,372	522	-	-	522
Advanced P.E.	280	-	280	-	-	-	-
Health Sciences	609	954	51	1,512	-	-	1,512
P.E. I	210	241	138	313	-	-	313
Nurse Fees	-	1,547	1,547	-	-	-	-
Math	420	2,119	1,462	1,077	-	-	1,077
Science	979	3,426	3,590	815	-	-	815
Photography	1,031	-	98	933	-	-	933
School Store	3,559	12,350	15,909	-	-	-	-
Social Studies	-	213	213	-	-	-	-
Technology	-	160	-	160	-	-	160

continued

**TRIGG COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
<b>TRIGG COUNTY HIGH SCHOOL, continued</b>							
Departments, continued							
General Activity Fund	238	2,550	2,716	72	-	-	72
General Vending							
Teacher	36	2,048	2,075	9	-	-	9
Student	888	10,932	10,340	1,480	-	-	1,480
Textbook Rental	12,027	14,865	18,492	8,400	-	-	8,400
	<u>\$ 66,057</u>	<u>\$ 478,713</u>	<u>\$ 448,896</u>	<u>\$ 95,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,874</u>
Less: Interfund Transfers	-	(35,334)	(35,334)	-	-	-	-
<b>Trigg County High School</b>	66,057	443,379	413,562	95,874	-	-	95,874
<b>Trigg County Middle School</b>	34,790	92,057	89,623	37,224	-	-	37,224
<b>Trigg County Intermediate School</b>	12,199	21,170	17,941	15,428	-	-	15,428
<b>Trigg County Primary School</b>	17,594	35,143	31,293	21,444	-	-	21,444
Totals	<u>\$ 130,640</u>	<u>\$ 591,749</u>	<u>\$ 552,419</u>	<u>\$ 169,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,970</u>

**TRIGG COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	310000212	\$ 81,076	
		310000213	<u>555,352</u>	\$ 636,428
Improving Teacher Quality State Grants	84.367	323000212	620	
		323000213	<u>96,495</u>	97,115
Vocational Education Basic Grants to States	84.048	462113213	1,267	
		371000213	<u>24,281</u>	25,548
Special Education Preschool Grants	** 84.173	380000212		45,642
Special Education Grants to States	** 84.027	381000212	14,056	
		381000213	<u>420,315</u>	434,371
Adult Education State Grant Program	84.002	3724		85,970
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	55211213	550	
		55211214	<u>19,657</u>	20,207
Race to the Top	84.413	396000211		<u>360</u>
Total U. S. Department of Education				<u>1,345,641</u>
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program	* 10.553***	776000513	23,460	
		776000514	<u>161,047</u>	184,507
National School Lunch Program	* 10.555***	775000213	109,925	
		775000214	380,757	
Noncash Assistance - Commodities (Note 4)		Fund 51	<u>59,277</u>	<u>549,959</u>
Total U.S. Department of Agriculture				<u>734,466</u>
Total Expenditures of Federal Awards				<u>\$ 2,080,107</u>

\*Child Nutrition Cluster

\*\*Special Education Cluster

\*\*\*Major Program

**TRIGG COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Trigg County School District (the "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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Trigg County School District  
Cadiz, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract – Electronic Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Trigg County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Trigg County School District's basic financial statements and have issued our report thereon dated November 14, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trigg 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 Trigg County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trigg County School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (item 2014-01).

### **Compliance and Other Matters**

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

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

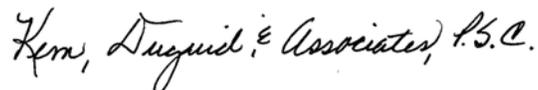
### **Trigg County School District's Response to Findings**

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

### **Purpose of this Report**

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2014

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA

WALTER G. CUMMINGS, CPA



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Trigg County School District  
Cadiz, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Trigg 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 Trigg County School District's major federal programs for the year ended June 30, 2014. Trigg County School District's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

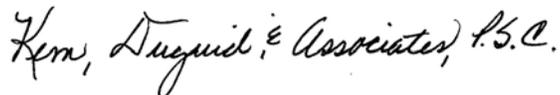
Management of Trigg County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Trigg County School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trigg 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants  
Hopkinsville, Kentucky

November 14, 2014

**TRIGG COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Trigg County School District.
2. One significant deficiency was disclosed during the audit of the financial statements. See Section B: 2014-01.
3. No instances of noncompliance material to the financial statements of Trigg County School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit of Trigg County School District.
5. The auditors' report on compliance for the major federal award programs for Trigg County School District expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings reportable under section 510(a) of OMB Circular A-133
7. The programs tested as major programs included:

Program Title	CFDA Number
National School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Trigg County School District was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2014-01 Internal Controls**

**Condition** – The District does not have control over the preparation of the financial statements, including footnote disclosures, which would prevent or detect a misstatement in the financial statements. The independent auditor cannot be a compensating control for the client.

**Criteria** – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

**TRIGG COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT, continued**

**Effect** – Lack of accountability and possible misstatement of financial statements, including footnote disclosures.

**Recommendation** – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

**Response** – It is not feasible for the District to invest the resources for a member of the financial accounting staff to obtain the training necessary to obtain the knowledge related to Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) pronouncements and to remain current with this knowledge. Management does not consider the deficiency to be imperative to the daily internal control operations of the District.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**TRIGG COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

There were no prior audit findings for Trigg County School District.

**MANAGEMENT COMMENTS FOR AUDIT**

MICHAEL A. KEM, CPA  
SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA  
WALTER G. CUMMINGS, CPA



November 14, 2014

Members of the Board of Education  
Trigg County School District  
Cadiz, Kentucky

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

During our audit we did not become aware of any matters in fiscal year 2014 that are considered reportable management letter comments regarding the strengthening of internal control and operating efficiency. The memorandum that accompanies this letter reflects that result. This letter does not affect our report dated November 14, 2014 on the financial statements of the Trigg County School District.

Respectfully,

Kem, Duguid & Associates, P.S.C.

*Kem, Duguid & Associates, P.S.C.*

Certified Public Accountants  
Hopkinsville, Kentucky

**TRIGG COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

There were no Management Letter Comments for fiscal year ended June 30, 2014.

**TRIGG COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

None