

HICKMAN COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

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INTRODUCTORY SECTION

HICKMAN COUNTY SCHOOL DISTRICT

June 30, 2015

BOARD OF EDUCATION

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Casey Henderson, Superintendent
Kim Wilson, Finance Officer

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Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

Kentucky State Committee for School District Audits
Hickman County Board of Education
Clinton, 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 Hickman County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hickman County School District as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–10, the schedules related to pensions on pages 42–43, and the budgetary comparison information on pages 44–45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hickman 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 15, 2015, on our consideration of the Hickman 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 Hickman County School District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 15, 2015

Hickman County Schools

BOARD MEMBERS

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416 Waterfield Drive North
Clinton, Kentucky 42031

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Director of Pupil Personnel

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Assessment/Instruction
Title I

HICKMAN COUNTY SCHOOL DISTRICT—CLINTON, KY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2015

Our discussion and analysis of the Hickman County School District's (District) financial performance provides an overview of the District's financial statements and activities of the District for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The June 30, 2015 cash balance for the District was \$1,174,723, as compared with the beginning cash balance of \$853,172.
- District-wide net position, beginning of year was restated from \$6,466,760 to \$4,864,724 as a result of a \$2,200 prior period adjustment and the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 30, 2014. Except for the effects of the previously mentioned restatement of the beginning of year balance, net position increased by \$93,849 during the 2015 fiscal year.
- The implementation of GASB Statement No. 68 also caused the District-wide net pension liability to increase over \$1.6 million while all other long-term liabilities decreased by more than \$400,000. This resulted in a net increase in total long-term obligations of \$1,204,868.
- The General Fund had \$ 6,834,479 in revenue, which primarily consisted of the State program (SEEK), property, franchise, utilities and motor vehicle taxes. The General Fund expenditures were \$ 6,741,985.
- General Fund revenue increased \$212,677 from the prior fiscal year and General Fund expenditures increased \$122,075.

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 are comprised of 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.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Position and the Statement of Activities. In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct types of activities:

- Governmental activities – Most of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Proprietary (Business-Type) Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

The Statement of Net Position (on page 12) presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities (on page 13) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. All of the funds of the District can be divided into two categories: governmental and proprietary (business-type) funds. The only proprietary fund is our food service operation. All other activities of the District are included in the governmental funds.

Fund financial statements start on page 14 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,958,573 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. 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.

Condensed Statement of Net Position

	6/30/2015	6/30/2014	Increase(Decrease)	
			\$	%
Assets				
Current and other	\$ 1,725,234	\$ 1,247,771	\$ 477,463	38.27%
Capital assets-net	10,230,924	10,700,474	(469,550)	-4.39%
Total Assets	11,956,158	11,948,245	7,913	0.07%
Deferred Outflows of Resources	361,064	397,590	(36,526)	-9.19%
Liabilities				
Long-term liabilities	6,424,420	5,234,663	1,189,757	22.73%
Other liabilities	755,229	644,412	110,817	17.20%
Total Liabilities	7,179,649	5,879,075	1,300,574	22.12%
Deferred Inflows of Resources	179,000	-	179,000	
Net Position				
Net investment in capital assets	5,400,992	5,500,733	(99,741)	-1.81%
Restricted	478,580	439,832	38,748	8.81%
Unrestricted	(920,999)	526,195	(1,447,194)	-275.03%
Total Net Position	\$ 4,958,573	\$ 6,466,760	\$ (1,508,187)	-23.32%

Condensed Statement of Activities

	Activities		Increase (Decrease)	
	June 30,2015	June 30,2014	\$	%
Revenues				
Program Revenues				
Charges for services	\$ 138,259	\$ 155,767	\$ (17,508)	-11.24%
Operating grants and contributions	1,387,854	1,444,104	(56,250)	-3.90%
Capital grants and contributions	-	-	-	0.00%
General Revenues				
Local tax revenues	2,251,560	2,178,514	73,046	3.35%
Investment earnings	12,018	11,732	286	2.44%
Other local revenue	141,586	163,505	(21,919)	-13.41%
State aid-formula grants	5,758,365	5,014,616	743,749	14.83%
Medicaid reimbursements	19,646	16,309	3,337	20.46%
Gain (loss) on disposal of assets	574	1,804	(1,230)	-68.18%
	<u>9,709,862</u>	<u>8,986,351</u>	<u>723,511</u>	<u>8.05%</u>
Expenses				
Instruction	5,076,828	4,548,549	528,279	11.61%
Support services	3,631,817	3,565,366	66,451	1.86%
Non-instructional services	112,189	111,018	1,171	1.05%
Facilities acquisition and construction	-	18,000	(18,000)	-100.00%
Interest on long-term debt	175,560	170,771	4,789	2.80%
Food service	619,619	629,555	(9,936)	-1.58%
	<u>9,616,013</u>	<u>9,043,259</u>	<u>572,754</u>	<u>6.33%</u>
Change in net position	93,849	(56,908)	150,757	-264.91%
Prior period adjustment/pension restatements	(1,602,036)	(116,268)	(1,485,768)	
Net position - beginning of year	<u>6,466,760</u>	<u>6,639,936</u>	<u>(173,176)</u>	-2.61%
Net position - end of the year	<u>\$ 4,958,573</u>	<u>\$ 6,466,760</u>	<u>\$ (1,508,187)</u>	-23.32%

On-behalf amounts are included in the above figures. On-behalf payments are payments the State makes on behalf of the District to various agencies for health and life insurance benefits, retirement benefits, administration fees, technology and debt service. The total on-behalf payments for 2015 and 2014 were \$2,396,079 and \$1,697,185 respectively. This drastic increase from 2014 to 2015 is attributable to the implementation of GASB Statement No. 68 during 2015, which requires the above statement to include the entire pension expense, rather than only the actual state contributions for the KTRS portion of on-behalf payments.

Governmental Activities

Total revenues for governmental activities for 2015 were \$9,150,256. State aid and state and federal grants accounted for 73% of this revenue total and local taxes made up 25%. The total cost of all programs and services for governmental activities was \$8,996,394. Instruction for governmental activities comprised 56% of expenses. Revenues for governmental activities for the District for 2015 exceeded expenses by \$153,862.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

Cost of Services

	Governmental Activities Total Cost of Services		Governmental Activities Net Cost of Services	
	2015	2014	2015	2014
Instructional	\$ 5,076,828	\$ 4,548,549	\$ 4,110,454	\$ 3,556,056
Support services	3,631,817	3,565,366	3,631,556	3,565,366
Other	112,189	129,018	112,189	129,018
Interest cost	175,560	170,771	175,560	170,771
Total Expenses	<u>\$ 8,996,394</u>	<u>\$ 8,413,704</u>	<u>\$ 8,029,759</u>	<u>\$ 7,421,211</u>

Business-Type Activities

The only business-type activity at the District is the Food Service operation. The Food Service Program had total revenues of \$559,606 and expenses of \$619,619 for fiscal year ending June 30, 2015. Charges for services made up 25% of these revenues and Federal and State operating grants made up the remaining 75%. Business-type activities such as this Food Service Program receive no support from local tax revenues. Management will closely monitor these activities and make adjustments as needed.

Capital Assets

The Hickman County School District had total net capital assets in the amount of \$10,230,924 at June 30, 2015. This total includes land, land improvements, buildings and improvements, equipment, and vehicles. The buildings included in this total are as follows: Hickman County Elementary School, Hickman County High School, Hickman County Board of Education and Bus Garage and Concession Stands. Overall, net capital assets decreased by 4.4% during fiscal year 2015.

Governmental Activities - Capital Assets, Net of Accumulated Depreciation

	June 30,2015	June 30,2014	Increase (Decrease)	
			\$	%
Land	\$ 60,000	\$ 60,000	\$ -	0.00%
Land improvements	229,166	250,348	(21,182)	-
Buildings and improvements	8,927,291	9,281,565	(354,274)	-3.82%
Technology equipment	98,538	164,184	(65,646)	-39.98%
Vehicles	248,516	216,479	32,037	14.80%
General equipment	93,949	109,867	(15,918)	-14.49%
Net Capital Assets	<u>\$ 9,657,460</u>	<u>\$ 10,082,443</u>	<u>\$ (424,983)</u>	-4.22%

Business-Type Activities - Capital Assets, Net of Accumulated Depreciation

	June 30,2015	June 30,2014	Increase (Decrease)	
			\$	%
Buildings and improvements	434,781	457,007	(22,226)	-4.86%
Technology equipment	3,488	4,529	(1,041)	-22.99%
General equipment	135,195	156,495	(21,300)	-13.61%
Net Capital Assets	<u>\$ 573,464</u>	<u>\$ 618,031</u>	<u>\$ (44,567)</u>	-7.21%

This year our depreciation expense was more than our capitalized purchases, which caused our net capital assets to decline by \$469,550. One school bus was leased with the option to own at the end of the lease agreement through the Kentucky Interlocal School Transportation Association (KISTA) during the 2015 fiscal year. An additional school bus was ordered and is in process through the same KISTA program at the end of the year. Other capital projects in process at the end of the year included replacing the HVAC system on the south end of the elementary school at a probable cost of \$82,000. This cost includes construction cost, architect and engineering fees and construction contingencies. We have \$68,342 escrowed in the Capital Outlay Fund that has been approved for this project. The remaining cost will come from the General Fund.

Long-term Debt

As of June 30, 2015, the District had \$5,034,358 in bonds outstanding, of which \$2,299,017 is to be paid from the School Facilities Construction Commission (SFCC) funding provided by the State of Kentucky. The majority of this outstanding debt is a result of the construction of the Elementary School and various improvement projects to other existing buildings. The original bonds issued for the construction of the Elementary School have since been paid off with refunding bond issues at lower rates of interest. Please see the Notes to the Financial Statements for more detail on this long-term debt.

General Fund Budgetary Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a cash basis for receipts, expenditures and encumbrances. The most significant budgeted fund is the General Fund. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expenditure in the budgeting process. The General Fund had budgeted revenues of \$4,942,000 with actual results being \$5,401,545 for a favorable difference of \$459,545. Budgeted expenditures were \$5,737,408 compared to actual expenditures of \$5,309,051 for a favorable difference of \$428,357. Both favorable differences were the result of conservative budgeting. Actual revenues were in excess of anticipated revenues and actual expenditures were less than anticipated expenditures. The District received 68.3% of its General Fund revenue from state funding and 30.7% from local taxes. Other local revenues, investments and indirect federal funds made up the remaining 1%.

The majority of the General Fund budget was expended on direct student instruction (54.9%) and student support expenditures (10.0%) for a total of 64.9% of the General Fund expenditures being for instruction. The remaining 35.1% was expended for school administrative support (4.6%) and for central support services (30.5%), which includes transportation, plant operation and maintenance, District administration, and business.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, such as some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2015-2016 with \$402,267 (5.64%) in contingency.

Significant Board action that impacts the finances includes the Board's salary schedules which include a state mandated 2% raise for the 2015-2016 school year for both certified and classified staff. The State increased the SEEK per pupil base from \$3,911 to \$3,981 for fiscal year 2015-2016. From year to year, the District experiences fluctuations in student numbers depending on entering and graduating class sizes in addition to County population changes due to transfers.

CONTACTING DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and other interested readers with information regarding the District's finances and to demonstrate the District's accountability for the funds it receives. Questions regarding this report should be directed to Casey Henderson, Superintendent, or to Kim Wilson, Finance Officer, at (270) 653-2341 or by mail at 416 Waterfield Drive North, Clinton, Kentucky 42031.

BASIC FINANCIAL STATEMENTS

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,061,087	\$ 47,144	\$ 1,108,231
Receivables			
Accounts	375	196	571
Intergovernmental - State and local	50,636	-	50,636
Intergovernmental - Federal	119,823	-	119,823
Inventories	-	15,927	15,927
Restricted investments	430,046	-	430,046
Capital assets not being depreciated			
Land	60,000	-	60,000
Capital assets, net of accumulated depreciation			
Land improvements	229,166	-	229,166
Buildings and improvements	8,927,291	434,781	9,362,072
Technology equipment	98,538	3,488	102,026
Vehicles	248,516	-	248,516
General equipment	93,949	135,195	229,144
Total assets	<u>11,319,427</u>	<u>636,731</u>	<u>11,956,158</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	140,965	23,839	164,804
Deferred charge on refunding	196,260	-	196,260
Total deferred outflows of resources	<u>337,225</u>	<u>23,839</u>	<u>361,064</u>
Liabilities			
Accounts payable	81,253	1,475	82,728
Unearned revenue	100,340	-	100,340
Accrued interest	32,159	-	32,159
Long-term liabilities			
Net pension liability	1,382,880	225,120	1,608,000
Portion due or payable within one year			
Insurance assessment	36,289	-	36,289
Bonds/leases	472,603	-	472,603
Accrued sick leave	31,110	-	31,110
Portion due or payable after one year			
Insurance assessment	65,081	-	65,081
Bonds/leases	4,553,589	-	4,553,589
Accrued sick leave	197,750	-	197,750
Total liabilities	<u>6,953,054</u>	<u>226,595</u>	<u>7,179,649</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	153,940	25,060	179,000
Net Position			
Net investment in capital assets	4,827,528	573,464	5,400,992
Restricted for			
Debt service	430,053	-	430,053
SFCC escrow	48,527	-	48,527
Unrestricted	(756,450)	(164,549)	(920,999)
Total net position	<u>\$ 4,549,658</u>	<u>\$ 408,915</u>	<u>\$ 4,958,573</u>

The accompanying notes are an integral part of these financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities						
Instruction	\$ 5,076,828	\$ -	\$ 966,374	\$ (4,110,454)	\$ -	\$ (4,110,454)
Support services						
Student	415,019	261	-	(414,758)	-	(414,758)
Instructional staff	380,750	-	-	(380,750)	-	(380,750)
District administration	465,054	-	-	(465,054)	-	(465,054)
School administration	345,973	-	-	(345,973)	-	(345,973)
Business	336,414	-	-	(336,414)	-	(336,414)
Plant operations and management	1,186,895	-	-	(1,186,895)	-	(1,186,895)
Student transportation	501,712	-	-	(501,712)	-	(501,712)
Non-instructional services	112,189	-	-	(112,189)	-	(112,189)
Interest on long-term debt	175,560	-	-	(175,560)	-	(175,560)
Total governmental activities	<u>8,996,394</u>	<u>261</u>	<u>966,374</u>	<u>(8,029,759)</u>	<u>-</u>	<u>(8,029,759)</u>
Business-Type Activities						
Food service	619,619	137,998	421,480	-	(60,141)	(60,141)
Total business-type activities	<u>619,619</u>	<u>137,998</u>	<u>421,480</u>	<u>-</u>	<u>(60,141)</u>	<u>(60,141)</u>
Total primary government	<u>\$ 9,616,013</u>	<u>\$ 138,259</u>	<u>\$ 1,387,854</u>	<u>(8,029,759)</u>	<u>(60,141)</u>	<u>(8,089,900)</u>
General Revenues:						
Taxes						
Property				1,483,611	-	1,483,611
Motor vehicle				190,254	-	190,254
Utilities				320,688	-	320,688
Other				257,007	-	257,007
Investment earnings				11,890	128	12,018
Other local revenue				141,586	-	141,586
State aid - formula grants				5,758,365	-	5,758,365
Medicaid reimbursement				19,646	-	19,646
Gain on disposal of assets				574	-	574
Total general revenues				<u>8,183,621</u>	<u>128</u>	<u>8,183,749</u>
Change in net position				<u>153,862</u>	<u>(60,013)</u>	<u>93,849</u>
Net position, beginning of year				5,773,239	693,521	6,466,760
Prior period adjustment and pension restatements				(1,377,443)	(224,593)	(1,602,036)
Total net position, beginning of year restated				<u>4,395,796</u>	<u>468,928</u>	<u>4,864,724</u>
Net position, end of year				<u>\$ 4,549,658</u>	<u>\$ 408,915</u>	<u>\$ 4,958,573</u>

The accompanying notes are an integral part of these financial statements.

**HICKMAN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 1,012,553	\$ -	\$ 7	\$ 48,527	\$ 1,061,087
Receivables					
Accounts	375	-	-	-	375
Intergovernmental - State and local	-	50,636	-	-	50,636
Intergovernmental - Federal	-	119,823	-	-	119,823
Due from other funds	54,127	-	-	-	54,127
Restricted investments	-	-	430,046	-	430,046
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,067,055</u>	<u>\$ 170,459</u>	<u>\$ 430,053</u>	<u>\$ 48,527</u>	<u>\$ 1,716,094</u>
Liabilities					
Accounts payable	\$ 65,261	\$ 15,992	\$ -	\$ -	\$ 81,253
Due to other funds	-	54,127	-	-	54,127
Unearned revenue	-	100,340	-	-	100,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	65,261	170,459	-	-	235,720
Fund Balances					
Restricted	30,000	-	430,053	48,527	508,580
Assigned	21,679	-	-	-	21,679
Unassigned	950,115	-	-	-	950,115
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,001,794	-	430,053	48,527	1,480,374
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,067,055</u>	<u>\$ 170,459</u>	<u>\$ 430,053</u>	<u>\$ 48,527</u>	<u>\$ 1,716,094</u>

The accompanying notes are an integral part of these financial statements.

**HICKMAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total fund balances - governmental funds **\$ 1,480,374**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,235,163 and the accumulated depreciation is \$6,577,703. 9,657,460

Certain long-term assets related to bond issue costs are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position. 196,260

Net pension liability and deferred inflows and outflows related to pensions are not due and payable in the current period and, therefore, are not reported in the governmental funds. Amounts related to pensions reported in the statement of net position are as follows:

Net pension liability	(1,382,880)	
Deferred inflows of resources related to pensions	(153,940)	
Deferred outflows of resources related to pensions	<u>140,965</u>	
		(1,395,855)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds/leases payable	(5,026,192)	
Accrued interest on the bonds	(32,159)	
Accrued sick leave payable	(228,860)	
Insurance assessment	<u>(101,370)</u>	
		<u>(5,388,581)</u>

Total net position - governmental activities **\$ 4,549,658**

The accompanying notes are an integral part of these financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources					
Taxes					
Property	\$ 1,348,734	\$ -	\$ -	\$ 134,878	\$ 1,483,612
Motor vehicle	171,937	-	-	18,316	190,253
Utilities	320,688	-	-	-	320,688
Other	257,007	-	-	-	257,007
Earnings on investments	2,479	-	9,397	14	11,890
Other local revenues	41,462	134,748	-	4,900	181,110
Intergovernmental - State	4,672,526	302,845	313,273	176,133	5,464,777
Intergovernmental - Indirect Federal	19,646	624,267	-	-	643,913
Total revenues	<u>6,834,479</u>	<u>1,061,860</u>	<u>322,670</u>	<u>334,241</u>	<u>8,553,250</u>
Expenditures					
Current					
Instruction	3,700,566	865,743	-	-	4,566,309
Support Services					
Student	374,932	-	-	-	374,932
Instructional staff	297,589	42,158	-	-	339,747
District administration	420,172	-	-	-	420,172
School administration	307,526	-	-	-	307,526
Business	330,579	-	-	-	330,579
Plant operation and management	782,431	-	-	-	782,431
Student transportation	528,190	2,947	-	-	531,137
Non-instructional services	-	111,044	-	920	111,964
Debt Service					
Principal	-	-	476,242	-	476,242
Interest and issuance cost	-	-	151,504	-	151,504
Total expenditures	<u>6,741,985</u>	<u>1,021,892</u>	<u>627,746</u>	<u>920</u>	<u>8,392,543</u>
Excess (deficit) of revenues over expenditures	<u>92,494</u>	<u>39,968</u>	<u>(305,076)</u>	<u>333,321</u>	<u>160,707</u>
Other Financing Sources (Uses)					
Compensation for loss of assets	778	-	-	-	778
Proceeds from capital lease	95,135	-	-	-	95,135
Transfers in	77,563	35,395	314,466	-	427,424
Transfers out	(50,584)	(77,563)	-	(299,277)	(427,424)
Total other financing sources (uses)	<u>122,892</u>	<u>(42,168)</u>	<u>314,466</u>	<u>(299,277)</u>	<u>95,913</u>
Net change in fund balances	<u>215,386</u>	<u>(2,200)</u>	<u>9,390</u>	<u>34,044</u>	<u>256,620</u>
Fund balances, beginning of year	786,408	-	420,663	14,483	1,221,554
Prior period adjustment	-	2,200	-	-	2,200
Fund balances, beginning of year - as restated	<u>786,408</u>	<u>2,200</u>	<u>420,663</u>	<u>14,483</u>	<u>1,223,754</u>
Fund balances, end of year	<u>\$ 1,001,794</u>	<u>\$ -</u>	<u>\$ 430,053</u>	<u>\$ 48,527</u>	<u>\$ 1,480,374</u>

The accompanying notes are an integral part of these financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Total net change in fund balances - governmental funds **\$ 256,620**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$522,961) exceeds capital outlay (\$98,181) in the current period. (424,780)

In the statement of activities, only the gain or loss on the sale of assets is reported. This is the amount by which the costs of retired assets exceed their accumulated depreciation. (203)

The acquisition of capital assets through a capital lease is reported as an other financing source in the governmental funds. However, this amount is reclassified as long-term debt in the government-wide statements. (95,135)

Payments on bonds/capital leases are reported as an expenditure in governmental funds, but reduces the long-term liability in the government-wide statements. 476,242

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (3,845)

The call premiums on bond refundings is reported as a deferred inflow of resources in the statement of net position and amortized over the life of the refunded or refunding debt. This amortization expense does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (11,298)

In the statement of activities, expenses related to pensions are a function of various changes in the net pension liability. In the governmental funds, only actual expenditures for pension contributions are reported. This is the amount of pension expense recognized in the statement of activities in excess of actual contributions made. (16,212)

In the statement of activities, expenses for accumulated sick leave are recognized when the liability is incurred. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources. (27,527)

Change in net position of governmental activities **\$ 153,862**

The accompanying notes are an integral part of these financial statements.

**HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 47,144
Accounts receivable	196
Inventories	<u>15,927</u>
Total current assets	<u>63,267</u>
Noncurrent Assets	
Buildings and improvements	1,035,533
Technology equipment	14,534
General equipment	375,268
Accumulated depreciation	<u>(851,871)</u>
Total noncurrent assets	<u>573,464</u>
 Total assets	 <u>636,731</u>
 Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>23,839</u>
 Liabilities	
Current liabilities	
Accounts payable	1,475
Long-term liabilities	
Net pension liability	<u>225,120</u>
 Total liabilities	 <u>226,595</u>
 Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>25,060</u>
 Net Position	
Net investment in capital assets	573,464
Unrestricted	<u>(164,549)</u>
Total net position	<u>\$ 408,915</u>

The accompanying notes are an integral part of these financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Food Service Fund
Operating Revenues	
Lunchroom sales	<u>\$ 137,998</u>
Operating Expenses	
Salaries, wages and benefits	280,669
Contract services	20,640
Materials and supplies	271,021
Depreciation	44,567
Other	<u>2,722</u>
Total operating expenses	<u>619,619</u>
Operating loss	<u>(481,621)</u>
Non-Operating Revenues (Expenses)	
Interest income	128
Donated commodities	15,864
Grants - child nutrition program	347,004
State funding - on-behalf payments	53,440
State matching	<u>5,172</u>
Total non-operating revenues (expenses)	<u>421,608</u>
Change in net position	<u>(60,013)</u>
Net position, beginning of year	693,521
Restatement for adoption of new pension standards	<u>(224,593)</u>
Net position, beginning of year - as restated	<u>468,928</u>
Net position, end of year	<u><u>\$ 408,915</u></u>

The accompanying notes are an integral part of these financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from lunchroom sales	\$ 137,802
Cash paid for expenses	(279,940)
Cash paid for salaries, wages and benefits	<u>(225,481)</u>
Net cash used by operating activities	<u>(367,619)</u>
 Cash Flows from Noncapital Financing Activities	
Nonoperating federal grants received	347,004
Nonoperating state grants received	<u>5,172</u>
Net cash provided by noncapital financing activities	<u>352,176</u>
 Cash Flows from Investing Activities	
Interest income	<u>128</u>
 Net decrease in cash and cash equivalents	 (15,315)
Cash and cash equivalents, beginning of year	<u>62,459</u>
 Cash and cash equivalents, end of year	 <u>\$ 47,144</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (481,621)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	44,567
Commodities used	15,864
Employee benefits paid by State	53,440
Pension contributions	(23,839)
Pension expense	25,587
Changes in assets and liabilities	
Accounts receivable	(196)
Inventories	(2,896)
Accounts payable	<u>1,475</u>
Net cash used by operating activities	<u>\$ (367,619)</u>
 Noncash Noncapital Financing Activities	
Donated food commodities received from the U.S. Department of Agriculture	<u>\$ 15,864</u>
State funding - on-behalf payments	<u>\$ 53,440</u>
Pension activity:	
Net pension liability	\$ 225,120
Deferred inflows related to pensions	25,060
Restatement of net position for beginning pension balances	(224,593)
Pension expense	<u>(25,587)</u>
	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	Agency Funds
Assets	
Cash and cash equivalents	\$ <u>66,492</u>
Liabilities	
Due to student groups	62,836
Accounts payable	<u>3,656</u>
Total liabilities	<u>66,492</u>
Net position	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hickman County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

A. Reporting Entity

The Hickman County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Hickman County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 Board, for financial purposes, includes all of the funds relevant to the operation of the Hickman 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 Board itself such as Boosters, Parent-Teacher Associations, etc.

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

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

Hickman County School District Finance Corporation – On June 3, 1992, the Hickman County, Kentucky, Board of Education resolved to authorize the establishment of the Hickman County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hickman County Board of Education also comprise the Corporation's Board of Directors.

B. 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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial 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 function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include 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. This is a major fund of the District.
- c. 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).

HICKMAN COUNTY SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs, and also for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

II. Proprietary Fund Type (Enterprise Fund)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (includes agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Uniform Program of Accounting for School Activity Funds. The Board also has the responsibility for custody and safekeeping of the Early Childhood Council agency fund.

C. Basis of Accounting

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

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

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

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

fiscal year 2015 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 required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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.

Expenses/Expenditures – On both the accrual basis and modified accrual basis of accounting, expenses and expenditures are recognized at the time a liability is incurred. However, in governmental funds, long-term liabilities are recognized when due, not when incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The fair value of donated commodities received and payments made by the State on-behalf of the District during the year are reported as revenue and expenses in the financial statements of the proprietary fund.

D. Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP), and expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP). A reconciliation is provided on the budgetary statements when these differences are material.

An approved budget can be amended by the Board, and all budget appropriations lapse at year-end.

E. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are re-appropriated in the next year. Accordingly, no differences related to encumbrances exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

F. Impact of Recently issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which was effective for fiscal years beginning after June 15, 2014. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

employers report liabilities related to pension obligations. As a result of adopting Statement 68, the District restated certain beginning balances to reflect its pension activity as of July 1, 2014. In governmental activities, beginning net pension liability was increased by \$1,564,340 and deferred outflows of resources was increased by \$184,697, which resulted in a decrease in beginning net position of \$1,379,643. These same accounts were also restated in the proprietary fund and business-type activities. Net pension liability was increased by \$254,660, deferred outflows increased by \$30,067 and net position decreased by \$224,593.

G. Cash, Cash Equivalents and Investments

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable to be cash and cash equivalents for the governmental, proprietary and fiduciary funds. For purposes of the statement of cash flows, the District also considers all investments with a maturity of three months or less when purchased to be cash equivalents.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky; however, such investments must be approved by the Kentucky Department of Education.

H. Inventories

Inventories are stated at average cost using the first-in, first-out method for both the governmental fund types and proprietary funds. Inventories are expensed when used in the government-wide financial statements and recorded as expenditures in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

I. 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. The District adopted a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized, while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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J. Restricted Assets

Certain investments of the District's Debt Service Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants, and they are maintained in a separate account.

K. Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial 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 deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has deferred outflows related to pensions. See Note 3A for details of this item.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has items related to pensions that qualify for reporting in this category. See Note 3A for specific details.

M. Long-Term Liabilities

All long-term obligations are reported in the government-wide financial statements and proprietary fund financial statements. 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.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value.

HICKMAN COUNTY SCHOOL DISTRICT
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O. Fund Balances

Governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers. As of June 30, 2015, the District had \$30,000 restricted for sick leave, \$430,053 for debt service and \$48,527 for School Facility Construction Commission escrow.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Education. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (Superintendent and Finance Officer) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed. At June 30, 2015, the District had assigned \$21,679 in the General Fund for the School-Based Decision Making Council.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the

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School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governmental entities.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Q. 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 to finance the General Fund operations for the year ended June 30, 2015, were \$.554 per \$100 valuation for real property, \$.554 per \$100 valuation for business tangible personal property, and \$.547 per \$100 valuation for motor vehicles.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits

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 bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an 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, 2015, the carrying amount of the District's deposits was \$1,174,723 and the bank balance was \$1,746,873. All bank balances were insured or collateralized as of June 30, 2015.

The District's deposits at year end consisted of the following:

Unrestricted cash – statement of net position	\$ 1,108,231
Fiduciary fund cash (not included in government-wide statement)	<u>66,492</u>
	<u>\$ 1,174,723</u>

These amounts are reported in the financial statements as follows:

Governmental activities	\$ 1,061,087
Business-type activities	47,144
Fiduciary funds	<u>66,492</u>
	<u>\$ 1,174,723</u>

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B. Restricted Investments

The District sold a \$455,000 Qualified Zone Academy Bond (QZAB) on June 10, 2003, for the purpose of financing the cost of renovations to the high school gym. On the delivery date, an initial cash payment in the amount of \$100,000 was required to be deposited in a Prefunded Escrow Account at Fifth Third Bank in Cincinnati, Ohio. The account has since been moved to The Bank of New York Mellon Trust Company. This prepayment and the annual bond payments of \$25,439, will be deposited in this escrow account, which should earn an amount sufficient to retire the \$455,000 bond principal due on June 10, 2018. At fiscal year-end, the District held an investment in Federal Home Loan Bank with a fair value of \$430,046 in the QZAB escrow account.

The District does not have an investment policy for interest rate risk, credit risk, custodial credit risk or concentration of credit risk beyond the requirements of KRS 66.480. For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The Federal Home Loan Bank investment is exposed to custodial credit risk, in that it is uninsured and held by the counterparty's trust department in the District's name.

C. Capital Assets

Changes in the capital assets during the year are summarized below:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Non-depreciable				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Depreciable				
Land improvements	559,549	-	-	559,549
Buildings and improvements	13,767,223	-	-	13,767,223
Technology equipment	610,539	5,813	52,613	563,739
Vehicles	1,087,650	92,368	226,206	953,812
General equipment	330,839	-	-	330,839
Totals	16,355,800	98,181	278,819	16,175,163
Less: Accumulated depreciation				
Land improvements	309,201	21,182	-	330,383
Buildings and improvements	4,485,658	354,274	-	4,839,932
Technology equipment	446,355	71,256	52,410	465,201
Vehicles	871,171	60,331	226,206	705,296
General equipment	220,972	15,918	-	236,890
Totals	6,333,357	522,961	278,616	6,577,703
Net depreciable assets	10,022,443	(424,780)	203	9,597,460
Governmental capital assets - net	\$ 10,082,443	\$(424,780)	\$ 203	\$ 9,657,460

Governmental capital assets include \$92,368 for a bus purchased with a capital lease during the current year. Amortization of the leased asset, which is included in depreciation expense, was \$8,913 for the year ended June 30, 2015.

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	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-Type Activities				
Depreciable				
Buildings and improvements	\$ 1,035,533	\$ -	\$ -	\$ 1,035,533
Technology equipment	14,534	-	-	14,534
Food service equipment	375,268	-	-	375,268
Totals	<u>1,425,335</u>	<u>-</u>	<u>-</u>	<u>1,425,335</u>
Less: Accumulated depreciation				
Buildings	578,526	22,225	-	600,751
Technology equipment	10,005	1,041	-	11,046
Food service equipment	218,773	21,301	-	240,074
Totals	<u>807,304</u>	<u>44,567</u>	<u>-</u>	<u>851,871</u>
Business-type capital assets – net	<u>\$ 618,031</u>	<u>\$ (44,567)</u>	<u>\$ -</u>	<u>\$ 573,464</u>

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions as follows:

Instruction	\$ 65,144
Support services:	
Student	511
Instructional staff	270
District administration	4,131
School administration	3,181
Plant operations and management	393,525
Student transportation	56,199
	<u>\$ 522,961</u>

D. Compensated Absences and Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 20% of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of accumulated benefits for all employees eligible to retire as of September 15, 2014. The total amount of accumulated benefits for all employees eligible to retire at June 30, 2015, is \$65,630. A balance of \$30,000 is restricted in the General Fund at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee. Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

E. Long-Term Liabilities

The District's debt is the responsibility of the governmental activities. The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Hickman County Fiscal Court and the City of Clinton, Kentucky, to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The bonds may be called prior to maturity and redemption

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premiums are specified in each issue. The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized as follows:

Issue	Original Amount	Interest Rates	Maturity Date	Balance June 30, 2015
1996	\$ 170,000	5.15% - 5.75%	2017	\$ 20,000
2003	425,000	1.75% - 2.75%	2015	-
2003 (QZAB)	455,000	5.00% - 5.06%	2018	455,000
2008 (Refunding)	1,815,000	2.10% - 3.20%	2017	630,000
2008	1,300,000	3.00% - 4.85%	2028	1,195,000
2011 KISTA	396,465	1.50% - 4.30%	2031	378,465
2012 (Refunding)	2,185,000	0.50% - 2.125%	2024	1,840,000
2012 KISTA	457,000	2.00% - 3.375%	2032	432,000
2014B KISTA	95,135	2.00% - 2.65%	2024	83,893
				<u>\$ 5,034,358</u>

In 1989, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

As of June 30, 2015, estimated future debt service on these obligations, including amounts to be paid by the Commission, are as follows:

Year	Hickman County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016	\$ 227,239	\$ 84,371	\$ 248,996	\$ 54,769	\$ 615,375
2017	234,272	77,287	242,621	48,875	603,055
2018	696,281	69,602	240,947	43,313	1,050,143
2019	106,681	63,914	214,715	36,370	421,680
2020	110,240	59,953	219,324	31,730	421,247
2021-2025	627,350	227,495	954,227	84,750	1,893,822
2026-2030	619,518	82,625	135,482	21,521	859,146
2031-2033	113,760	7,336	42,705	2,082	165,883
	<u>\$ 2,735,341</u>	<u>\$ 672,583</u>	<u>\$ 2,299,017</u>	<u>\$ 323,410</u>	<u>\$ 6,030,351</u>

The District was assessed \$154,554 by the Kentucky School Board Insurance Trust for workers compensation and property and liability losses in the prior year. The District chose to pay these losses over a seven year period at zero percent interest. Scheduled future payments under this option are \$36,289 per year for the years ending June 30, 2016 and 2017, and \$7,198 for the remaining four years.

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Changes in long-term liabilities during the year are summarized below:

Issue	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Due within One Year
1996	\$ 30,000	\$ -	\$ 10,000	\$ 20,000	\$ 15,000
2003	10,000	-	10,000	-	-
2003 (QZAB)	455,000	-	-	455,000	-
2008 (Refunding)	830,000	-	200,000	630,000	205,000
2008	1,220,000	-	25,000	1,195,000	25,000
2011 KISTA	384,465	-	6,000	378,465	6,000
2012 (Refunding)	2,035,000	-	195,000	1,840,000	200,000
2012 KISTA	451,000	-	19,000	432,000	15,000
2014B KISTA	-	95,135	11,242	83,893	10,235
	<u>5,415,465</u>	<u>95,135</u>	<u>476,242</u>	<u>5,034,358</u>	<u>476,235</u>
Bond premium	(11,798)	-	(3,632)	(8,166)	(3,632)
Accrued sick leave	201,333	27,527	-	228,861	31,110
Insurance assessment	154,554	-	53,184	101,370	36,289
	<u>\$ 5,759,554</u>	<u>\$ 122,662</u>	<u>\$ 525,794</u>	<u>\$ 5,356,423</u>	<u>\$540,002</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The insurance assessment and compensated absences will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

F. Interfund Activity

Interfund Receivables/Payables (short-term) – The General Fund extends short-term cash flow loans to other funds that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations. At June 30, 2015, \$54,127 was due to the General Fund from Special Revenue.

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Debt Service	Debt service	\$ 15,189
General	Special Revenue	KETS	35,395
Special Revenue	General	Head Start expenditures	77,563
Capital Outlay	Debt Service	Debt service	39,355
Building Fund	Debt Service	Debt service	<u>259,922</u>
			<u>\$ 427,424</u>

G. Deficit Operating/Fund Balances

The Food Service fund operated at a deficit for the year ended June 30, 2015. Expenses exceeded revenues by \$60,013 for the year.

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H. 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, 2015:

Contributions to Kentucky Teachers' Retirement System	\$ 559,015
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	877,934
Technology	42,451
Debt Service	<u>313,273</u>
	<u>\$ 1,792,673</u>

The District does not include on-behalf payments in their budgets. However, the governmental fund and government-wide statements report revenues and expenditures for these payments in the fund statements as follows:

Governmental funds	
General Fund	\$ 1,432,934
Debt Service Fund	313,273
Proprietary fund	<u>46,466</u>
	<u>\$ 1,792,673</u>

In addition to the above amounts, an additional \$603,406 in on-behalf revenue and expenditures was recognized for pension expense calculated under the new GASB 68 pension standards. This additional amount is reported only in the government-wide statement of activity for the governmental funds. The proprietary fund recognized its portion in both the fund level and government-wide statement (\$6,974).

I. Prior Period Adjustment

Fund balance in the Special Revenue Fund was understated by \$2,200 at the end of the prior year. A prior period adjustment was made to beginning fund balance and beginning net position for this amount to correct this error.

NOTE 3 – OTHER INFORMATION

A. Pension Plans

The District's employees are provided with retirement benefits through two separate pension plans, based on eligibility requirements. Following are details related to each plan.

Plan Description. Certain employees of the District participate in the Teachers' Retirement System of the State of Kentucky (KTRS). KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected

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trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Employers are comprised of local school districts, Department of Education Agencies, universities, the Kentucky Community and Technical College System, and other educational organizations. The State under GASB No. 67 is recognized as a non-employer contributing entity providing the employer matching contributions for members employed by the local school districts and regional educational cooperatives.

According to KRS 161.220 " . . . any regular or special teacher, or professional occupying a position requiring certification or graduation from a four (4) year college or university . . . " is eligible to participate in the System.

Benefits provided.

For Members before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002, who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004, and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members on or after July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more

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than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

For the year ended June 30, 2015, the District's total payroll for all employees was \$4,834,164. Total covered payroll was \$3,348,419. Covered payroll refers to all compensation paid by the District to active employees covered by the KTRS plan.

Contributions. Contribution rates are established by Kentucky Revised Statutes. Non-university members are required to contribute 12.105 percent of their salaries to the System. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008, and 14.105 percent for those who joined thereafter. For salaries that are federally funded and critical shortage employees, the District contributes 15.355 percent and 19.700 percent of salaries, respectively. The District's contributions for the year ended June 30, 2015, were \$57,065. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. The State of Kentucky has determined that districts will not recognize their proportionate share of the net pension liability. The State will record the KTRS pension fund liability for local school district employers on its financial statements. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. An expected total pension liability is determined as of June 30, 2014, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate for the year. At June 30, 2014, the State's proportionate share of the net pension liability associated with Hickman County School District was \$23,721,886. Pension expense reported by the State associated with Hickman County School District was \$1,162,421.

Actuarial Assumptions. A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	6/30/2013
Actuarial cost method	Entry Age
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	4.00 - 8.20%, including inflation
Inflation rate	3.50%
Municipal bond index rate	4.35%
Single equivalent interest rate	5.23%

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Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

The long-term expected real rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long- term Expected Real Rate of Return
U.S. equity	45%	6.4%
Non-U.S. equity	17%	6.5%
Fixed income	24%	1.6%
High yield bonds	4%	3.1%
Real estate	4%	5.8%
Alternatives	4%	6.8%
Cash	<u>2%</u>	1.5%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the State's Net Pension Liability to Changes in the Discount Rate. The following presents the State's proportionate share of the net pension liability associated with the District calculated using the discount rate of 5.23%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% decrease (4.23%)	Current discount rate (5.23%)	1% increase (6.23%)
State's proportionate share of the net pension liability associated with the District	\$29,797,865	\$23,721,886	\$18,707,537

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Teachers' Retirement Systems comprehensive annual financial report for the fiscal year ended June 30, 2014.

Plan Description. The District contributes to the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS), hereafter referred to as the "Plan," which is a cost-sharing multiple employer defined benefit pension plan. The Plan was established in 1958 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board of Trustees administers the Kentucky Retirement Systems Insurance Fund. District employees not eligible for the Teachers' Retirement System are covered under this Plan.

Benefits provided. The Plan provides for retirement, disability, and death benefits to Plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years' service or 65 years old At least 5 years' service and 55 years old At least 25 years' service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equals 87 At least 10 years' service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equals 87 Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. The contribution requirements of Plan members and the District are established by state statute. Employee contributions for nonhazardous employees who began participating with KRS prior to September 1, 2008, contribute 5% of all their creditable compensation to KRS. Those beginning on or after that date contribute a total of 6%, with one percent of each employee's contribution deposited to the KRS Pension Fund 401(h) account for the payment of health insurance benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Employer contribution rates for fiscal year 2015 were adopted by the Board of KRS based on actuarially recommended rates. The required contribution rate for the year ended June 30, 2015, was 17.67% for nonhazardous employees. The District's contributions to the Plan for the year ended June 30, 2015, were \$164,804.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$1,608,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was 0.049557 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$182,764. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	-	179,000
Contributions subsequent to the measurement date of June 30, 2014	164,804	<i>(not applicable)</i>
Total	\$ 164,804	\$ 179,000

The deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$35,800
2017	35,800
2018	35,800
2019	35,800
2020	35,800

For the year ended June 30, 2015, the District's total payroll for all employees was \$4,834,164. Total covered payroll under CERS was \$932,678. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

Mortality rates for the period after service retirement were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Target Allocation	Long- term Expected Real Rate of Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	11.25%
Real estate	5%	7.00%
Core US fixed income	10%	5.25%
High yield US fixed income	5%	7.25%
Non US fixed income	5%	5.50%
TIPS	5%	5.00%
Commodities	5%	7.75%
Cash	1%	3.25%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2116. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% decrease (6.75%)	Current discount rate (7.75%)	1% increase (8.75%)
District's proportionate share of the net pension liability	\$1,400,000	\$1,608,000	\$1,815,000

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems comprehensive annual financial report for the fiscal year ended June 30, 2014.

B. Other Post-Employment Benefits

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 Fund 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. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the medical insurance plan.

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.

The member post-employment medical contribution is 2.25 percent. The employer post-employment medical contribution is .75 percent of member gross salaries. Also, after July 1, 2010, employers (other than the state) contribute 1.5 percent of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. The District's contributions for the year ended June 30, 2015, were \$75,229.

The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

C. Leases

The District (lessor) entered into a lease on October 16, 2012, with the Hickman County Extension Board and Fiscal Court (lessee). The Hickman County Extension Board will occupy and make certain improvements to a building owned by the District. The estimated cost of these improvements is \$280,000.

The term of the lease is 40 years at an annual rental of \$1. If the District cancels the lease prior to its expiration date of September 21, 2027, it will owe the Hickman County Extension Board a pro rata share of the cost of improvements over the remaining lease term at the date of cancellation.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

D. Contingencies and Commitments

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 grantors may request a refund of cash advances, 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.

E. Litigation

The Board's legal counsel has advised that the District is not subject to any litigation or unasserted claims as of June 30, 2015.

F. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for general and auto liability, physical damage insurance, errors and omissions, and general liability coverage. The District purchases worker's compensation insurance through Kentucky Employers' Mutual Insurance. The District pays an annual premium for coverage. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

G. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

REQUIRED SUPPLEMENTARY INFORMATION

**HICKMAN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**
For the Year Ended June 30, 2015

**Schedule of State of Kentucky's Proportionate Share of the Net Pension Liability
Associated with Hickman County School District – Special Funding Situation
Kentucky Teachers' Retirement System**
Fiscal Years Ending June 30,

	2014
Hickman County School District's proportion of the collective net pension liability	0.00%
Hickman County School District's proportionate share of the net pension liability	\$ 0
Portion of the State's proportionate share of the collective net pension liability that is associated with Hickman County School District	\$ 23,721,886
Total proportionate share of the collective net pension liability	\$ 23,721,886
Hickman County School District's covered employee payroll	\$ 3,287,156
Hickman County School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Schedule of Hickman County School District's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems**
Fiscal Years Ending June 30,

	2014
Hickman County School District's proportion of the collective net pension liability	.049557%
Hickman County School District's proportionate share of the net pension liability	\$ 1,608,000
Hickman County School District's covered employee payroll	\$ 1,127,062
Hickman County School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	142.67%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**
For the Year Ended June 30, 2015

**Schedule of Hickman County School District's Contributions
County Employees Retirement System of Kentucky Retirement Systems**
Fiscal Years Ending June 30,

	2014	2015
Actuarially determined contributions	\$ 212,902	\$ 164,804
Contributions in relation to the actuarially determined contribution	212,902	164,804
Contribution deficiency (excess)	\$ -	\$ -
 Hickman County School District's covered employee payroll	 \$ 1,127,062	 \$ 932,678
Hickman County School District's contributions as a percentage of covered employee payroll	18.89%	17.67%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedules – County Employees Retirement System

Changes of benefit terms. The following change was made by the Kentucky Legislature and reflected in the valuation performed as of June 30:

2014 – A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30:

2013 – The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Local Taxes				
Property	\$ 1,142,000	\$ 1,142,000	\$ 1,348,734	\$ 206,734
Motor vehicle	150,000	150,000	171,937	21,937
Utilities	295,000	295,000	320,688	25,688
Other	265,000	265,000	257,007	(7,993)
Earnings on investments	2,000	2,000	2,479	479
Other local revenues	51,500	51,500	41,462	(10,038)
Intergovernmental - State	3,021,500	3,021,500	3,239,592	218,092
Intergovernmental - Indirect Federal	15,000	15,000	19,646	4,646
Total revenues	<u>4,942,000</u>	<u>4,942,000</u>	<u>5,401,545</u>	<u>459,545</u>
Expenditures				
Current				
Instruction	2,774,407	2,836,847	2,749,267	87,580
Support Services				
Student	288,693	296,338	288,911	7,427
Instructional staff	209,591	218,737	221,408	(2,671)
District administration	398,576	441,880	368,364	73,516
School administration	243,138	246,054	238,319	7,735
Business	219,930	219,930	237,644	(17,714)
Plant operations and management	756,806	776,575	738,093	38,482
Student transportation	426,365	431,232	467,045	(35,813)
Contingency	166,494	269,815	-	269,815
Total expenditures	<u>5,484,000</u>	<u>5,737,408</u>	<u>5,309,051</u>	<u>428,357</u>
Excess (deficit) of revenues over expenditures	<u>(542,000)</u>	<u>(795,408)</u>	<u>92,494</u>	<u>887,902</u>
Other Financing Sources (Uses)				
Compensation for loss of assets	7,000	7,000	778	(6,222)
Proceeds from capital lease			95,135	95,135
Transfers in	60,000	60,000	77,563	17,563
Transfers out	(25,000)	(25,000)	(50,584)	(25,584)
Total other financing sources (uses)	<u>42,000</u>	<u>42,000</u>	<u>122,892</u>	<u>80,892</u>
Net change in fund balance	<u>(500,000)</u>	<u>(753,408)</u>	<u>215,386</u>	<u>968,794</u>
Fund balance, beginning of year	500,000	753,408	786,408	33,000
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,001,794</u>	<u>\$ 1,001,794</u>

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

Inflows/revenues:		
Actual amounts (budgetary basis)		\$ 5,401,545
On-behalf payments recorded under GAAP basis not included in budget amounts		1,432,934
Total revenues as reported on statement of revenues, expenditures and changes in fund balances - governmental funds		<u>\$ 6,834,479</u>
Outflows/expenditures:		
Actual amounts (budgetary basis)		\$ 5,309,051
On-behalf payments recorded under GAAP basis not included in budget amounts		1,432,934
Total expenditures as reported on statement of revenues, expenditures and changes in fund balances - governmental funds		<u>\$ 6,741,985</u>

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Other local revenue	\$ -	\$ -	\$ 134,748	\$ 134,748
Intergovernmental - State	351,706	303,984	302,845	(1,139)
Intergovernmental - Indirect Federal	501,111	582,060	624,267	42,207
Total revenues	<u>852,817</u>	<u>886,044</u>	<u>1,061,860</u>	<u>175,816</u>
Expenditures				
Current				
Instruction	662,511	699,700	865,743	(166,043)
Support Services				
Instructional staff	43,878	41,642	42,158	(516)
Student transportation	2,607	-	2,947	(2,947)
Non-instructional services	108,821	109,702	111,044	(1,342)
Total expenditures	<u>817,817</u>	<u>851,044</u>	<u>1,021,892</u>	<u>(170,848)</u>
Excess of revenues over expenditures	<u>35,000</u>	<u>35,000</u>	<u>39,968</u>	<u>4,968</u>
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	35,395	10,395
Transfers out	(60,000)	(60,000)	(77,563)	(17,563)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(42,168)</u>	<u>(7,168)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(2,200)</u>	<u>(2,200)</u>
Fund balance, beginning of year	-	-	-	-
Prior period adjustment	-	-	2,200	2,200
Fund balance, beginning of year - as restated	<u>-</u>	<u>-</u>	<u>2,200</u>	<u>2,200</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
June 30, 2015

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Special Revenue Fund 2</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 44,547	\$ -	\$ 3,980	\$ 48,527
Total assets	<u>\$ 44,547</u>	<u>\$ -</u>	<u>\$ 3,980</u>	<u>\$ 48,527</u>
Liabilities and Fund Balances				
Fund Balances				
Restricted	\$ 44,547	\$ -	\$ 3,980	\$ 48,527
Total liabilities and fund balances	<u>\$ 44,547</u>	<u>\$ -</u>	<u>\$ 3,980</u>	<u>\$ 48,527</u>

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2015

	Capital Outlay Fund	Building Fund	Special Revenue Fund 2	Total Nonmajor Governmental Funds
Revenues				
Local Taxes				
Property	\$ -	\$ 134,878	\$ -	\$ 134,878
Motor vehicle	-	18,316	-	18,316
Earnings on investments	14	-	-	14
Admissions and other local income	-	-	4,900	4,900
Intergovernmental - State	69,405	106,728	-	176,133
Total revenues	69,419	259,922	4,900	334,241
Expenditures				
Contracted services	-	-	920	920
Excess of revenues over expenditures	69,419	259,922	3,980	333,321
Other Financing Sources (Uses)				
Transfers out	(39,355)	(259,922)	-	(299,277)
Net change in fund balances	30,064	-	3,980	34,044
Fund balances, beginning of year	14,483	-	-	14,483
Fund balances, end of year	\$ 44,547	\$ -	\$ 3,980	\$ 48,527

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS**

For the Year Ended June 30, 2015

<u>Fund</u>	<u>July 1, 2014</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2015</u>
Activity Funds				
Hickman County High School:				
Athletic	\$ 13,870	\$ 34,908	\$ 35,955	\$ 12,823
Art	632	570	670	532
Music	157	-	157	-
Beta Club - High School	1,143	2,190	2,850	483
Science Club - High School	2,145	592	2,461	276
Drama Club	1,251	554	409	1,396
FBLA	1,425	6,507	7,558	374
FFA	1,049	33,350	32,796	1,603
FCCLA	194	2,648	2,534	308
General	3,445	26,279	28,700	1,024
Spanish Club	1	396	343	54
H-Club	179	1,010	1,000	189
FCS	70	40	77	33
Beta Club - Junior High	775	814	1,123	466
Junior Class	1,321	5,835	6,290	866
Student Council - High School	481	2,573	2,353	701
Textbook	1,799	2,432	4,231	-
Academic Club - High School	245	-	203	42
Academic Club - Junior High	432	-	319	113
Project Graduation	3,829	44,770	47,162	1,437
Journalism	3,919	17,489	21,408	-
Cheerleaders - High School	1,472	29,988	28,172	3,288
FCA	318	3,030	2,951	397
Library	141	238	252	127
Community Education	611	4,444	4,504	551
Flower Fund	40	554	212	382
History Club	3	-	3	-
Science Club - Junior High	356	709	505	560
FEA	426	1,077	1,145	358
National Scholastic Sportsman	152	-	-	152
FFA - Greenhouse	665	71	200	536
Baseball	3,884	16,869	18,849	1,904
Softball	4,759	9,543	10,140	4,162
Volleyball	1,192	14,395	12,157	3,430
Pep Club	527	-	-	527
Flight	402	361	-	763
Military Club	139	105	10	234
HCHS Alumni Scholarship	369	1,666	1,500	535
Green Team	23	-	23	-
Test Assistance Shiloh	148	-	-	148
Four Rivers Scholarship	126	-	-	126
Kapps	1,177	6,169	5,870	1,476
Hickman Co. Retired Scholarship	-	1,000	1,000	-
Boys Varsity Basketball	230	10,977	10,441	766

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS**

For the Year Ended June 30, 2015

<u>Fund</u>	<u>July 1, 2014</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2015</u>
High School GV Basketball	37	1,355	1,149	243
Middle School Boys Basketball	-	1,970	1,920	50
Middle School Girls Basketball	64	774	808	30
Retirement Reception	4	-	-	4
Cross Country	-	1,258	1,058	200
Golf	469	1,019	1,166	322
Field Trip	314	843	646	511
James H. Phillips Scholarship	250	700	500	450
Patsy Eddlemen Scholarship	-	610	610	-
Class of 2012	-	500	500	-
	<u>56,660</u>	<u>293,182</u>	<u>304,890</u>	<u>44,952</u>
Less: inter-fund transfers	-	3,973	3,973	-
Total Hickman County High School	<u>56,660</u>	<u>289,209</u>	<u>300,917</u>	<u>44,952</u>
Hickman County Elementary School	<u>15,978</u>	<u>46,146</u>	<u>44,240</u>	<u>17,884</u>
Total activity funds	72,638	335,355	345,157	62,836
Early Childhood Council	<u>1,428</u>	<u>21,675</u>	<u>19,447</u>	<u>3,656</u>
Total agency funds	<u>\$ 74,066</u>	<u>\$ 357,030</u>	<u>\$ 364,604</u>	<u>\$ 66,492</u>

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ CFDA Program Name	Federal CFDA Number	MUNIS Account Number	Expenditures
U.S. Department of Education			
Passed Through State Department of Education			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	220-4500-3104	\$ 7,105
Title I Grants to Local Educational Agencies	84.010	220-4500-310A	<u>176,968</u>
Total Title I Cluster			<u>184,073</u>
Special Education Cluster:			
Special Education Grants to States	84.027	220-4500-3373	33
Special Education Grants to States	84.027	220-4500-3374	22,077
Special Education Grants to States	84.027	220-4500-337A	<u>164,307</u>
		Sub-total	<u>186,417</u>
Special Education - Preschool Grants	84.173	220-4500-3434	2,369
Special Education - Preschool Grants	84.173	220-4500-343A	<u>18,628</u>
		Sub-total	<u>20,997</u>
Total Special Education Cluster			<u>207,414</u>
Career and Technical Education Basic Grants to States	84.048	220-4700-348A	<u>4,619</u>
			<u>4,619</u>
Twenty-First Century (Multi State)	84.287	220-4500-5503J	992
Twenty-First Century (Supplemental Funds)	84.287	220-4500-5503U	2,115
Twenty-First Century (Supplemental Funds)	84.287	220-4500-5504U	4,321
Twenty-First Century (Flight)	84.287	220-4500-5503	26,156
Twenty-First Century (Flight)	84.287	220-4500-5504	<u>57,009</u>
			<u>90,593</u>
Rural and Low Income Education	84.358B	220-4500-350A	<u>15,221</u>
Improving Teacher Quality State Grants	84.367	220-4500-4014	7,226
Improving Teacher Quality State Grants	84.367	220-4500-401A	<u>37,559</u>
			<u>44,785</u>
Total U.S. Department of Education			<u>546,705</u>
U.S. Department of Agriculture			
Passed Through State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	510-4500	99,752
National School Lunch Program - Donated Commodities	10.555	510-4950	15,864
National School Lunch Program	10.555	510-4500	243,901
Summer Food Service Program for Children	10.555	510-4500	<u>2,391</u>
Total Child Nutrition Cluster			<u>361,908</u>
State Administrative Expenses for Child Nutrition	10.560	510-4500	<u>1,000</u>
Total U.S. Department of Agriculture			<u>362,908</u>

See independent auditor's report.
The accompanying notes are an integral part of this schedule.

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ CFDA Program Name</u>	<u>Federal CFDA Number</u>	<u>MUNIS Account Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Resources			
Passed Through Murray Board of Education			
Head Start	93.600	220-4700-655A	<u>77,563</u>
Total U.S. Department of Health and Human Resources			<u>77,563</u>
Total federal awards			<u>\$ 987,176</u>
Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures			
Total expenditures of federal awards			\$ 987,176
Total expenditures of state and local awards			397,624
Expenditure of federal awards in the food service fund			<u>(362,908)</u>
Total expenditures as reported in the special revenue fund on the statement of revenues, expenditures and changes in fund balance - governmental funds			<u>\$ 1,021,892</u>

*See independent auditor's report.
The accompanying notes are an integral part of this schedule.*

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hickman County School District under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Hickman County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hickman County School 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-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - FOOD DISTRIBUTION

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

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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AICPA Governmental Audit Quality Center
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Certified Public Accountants
Offices in Tennessee & Kentucky

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

Kentucky State Committee for School District Audits
Members of the Hickman County Board of Education
Clinton, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Hickman County School District's basic financial statements and have issued our report thereon dated November 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hickman 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 Hickman County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hickman 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the District in a separate letter dated November 15, 2015, as required by the auditor's contract with the Kentucky Department of Education.

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.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 15, 2015

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AICPA Employee Benefit Plan Audit Quality Center
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**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance as Required by OMB Circular A-133**

Kentucky State Committee for School District Audits
Members of the Hickman County Board of Education
Clinton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hickman 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 Hickman County School District's major federal programs for the year ended June 30, 2015. Hickman County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Hickman 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, 2015.

Report on Internal Control over Compliance

Management of Hickman 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 Hickman County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Hickman 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 the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 15, 2015

**HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? x yes no

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

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Casey Henderson, Superintendent
Hickman County Board of Education
Clinton, Kentucky

In planning and performing our audit of the financial statements of Hickman County School District for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 15, 2015, on the financial statements of Hickman County School District.

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

Alexander Thompson Arnold, PLLC

Murray, Kentucky
November 15, 2015

**HICKMAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
For the Year Ended June 30, 2015**

- I. **Condition:** A lack of segregation of duties related to user access within the District's MUNIS system. Certain users who authorize transactions and have custody of assets within the organization are also superusers of the MUNIS accounting software.

Criteria: Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement AU-C Section 315 addresses the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements through understanding the entity and its environment, including the entity's internal control. Segregation of duties is a basic component of internal control and is referenced in the above professional standard.

Cause: Due to the limited number of available staff, user rights within the system for certain employees include unlimited access to all modules in MUNIS.

Effect: Unlimited access within the MUNIS system paired with users who authorize transactions and have custody of assets in the organization provide opportunity for manipulation of accounting records and misappropriation of assets.

Recommendation: Superusers should not be granted the authority to authorize transactions.

Response: Due to the frequent need to perform functions only available to superusers, the District accepts the risks described above.

HICKMAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2015

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

- I. **Condition:** A lack of segregation of duties related to user access within the District's MUNIS system. Certain users who authorize transactions and have custody of assets within the organization are also superusers of the MUNIS accounting software.

Recommendation: Superusers should not be granted the authority to authorize transactions.

Current Status: Condition still exists.

- II. **Condition:** Credit card charges are not properly approved.

Recommendation: Implement the purchase order system used with all other cash disbursements in the District, and add Superintendent review of credit card statements.

Current Status: Corrected