

JENKINS INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015
WITH
REPORT OF INDEPENDENT AUDITORS**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jenkins Independent School District, as of and for the year ended June 30, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Cloud & Associates, PSC
Certified Public Accountants
Opinions

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

Emphasis of Matter

As described in Note 12 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective, July 1, 2014. 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 and budgetary comparison information and the Schedules of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Cloyd & Associates, PSC
Certified Public Accountants

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 13, 2015, on our consideration of Jenkins Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jenkins Independent School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 13, 2015

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2015

The management of Jenkins Independent School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2015. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

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

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$1,156,182 in 2015 and \$1,336,531 in 2014. In 2015 and 2014, cash of \$97,668 and \$152,587 respectively, was reserved for capital projects.
- The General Fund had \$4,708,740 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$4,625,648 in General Fund expenditures. Both revenue and expenditures in the General Fund have the On Behalf Payments of \$781,961 included in the totals.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations. The total debt decreased by \$90,000 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
Year Ended June 30, 2015

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Net Position for the period ending June 30, 2015

Fiscal year 2015 government-wide net position compared to 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 1,306,209	\$ 1,437,289
Capital assets	3,019,323	2,846,438
Total Assets	<u>\$ 4,325,532</u>	<u>\$ 4,283,727</u>
Deferred outflow of resources	<u>\$ 103,174</u>	<u>\$ -</u>
Current liabilities	\$ 261,290	\$ 293,562
Noncurrent liabilities	2,582,540	2,024,092
Total Liabilities	<u>\$ 2,843,830</u>	<u>\$ 2,317,654</u>
Deferred inflow of resources	<u>\$ 85,000</u>	<u>\$ -</u>
Net investment in capital assets, net of debt	\$ 1,168,606	\$ 849,073
Restricted net position	3,248,021	502,104
Unrestricted net position	(2,916,751)	614,896
Total Net Position	<u>\$ 1,499,876</u>	<u>\$ 1,966,073</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$1,451,444; proprietary assets exceeded liabilities by \$48,432 and total assets exceeded liabilities by \$1,499,876 at June 30, 2015.

JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
Year Ended June 30, 2015

The District had an overall decrease in unrestricted net position of \$3,531,647, comprised of a decrease in business-type activities of \$127,191 and an decrease in governmental activities of \$3,404,456.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues and other financing sources		
Local revenue sources	\$ 1,400,635	\$ 1,365,864
State revenue sources	3,898,883	3,913,679
Federal revenue	836,263	464,050
Total revenue	<u>6,135,781</u>	<u>5,743,593</u>
Expenditures and other financing uses		
Instruction	3,387,415	2,916,044
Student support services	171,297	158,668
Instructional support	154,839	140,769
District administration	921,182	3
School administration	259,340	308,309
Business operations	284,015	288,870
Plant operation and maintenance	287,823	293,425
Student transportation	220,839	338,342
Community services	65,135	70,783
Debt service	219,264	210,393
Building acquisition and construction	342,776	-
Site improvement	-	90,557
Total expenditures	<u>6,313,925</u>	<u>4,816,163</u>
Excess revenues (expenditures)	<u>\$ (178,144)</u>	<u>\$ 927,430</u>
Other financing sources (uses)		
Proceeds from sale of assets	\$ 67,919	\$ -
Proceeds from capital lease	-	92,790
Transfers in	430,549	350,049
Transfers out	(430,549)	(350,049)
Total other financing sources (uses)	<u>\$ 67,919</u>	<u>\$ 92,790</u>

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

BUDGETARY IMPLICATION

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$223,591 in contingency.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2015, were \$4,708,740 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$248,290, or 5.27%, more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2015 was \$4,625,648.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$527,287 or 10.23% less than budget.

Contacting the District's Financial Management

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

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

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,037,236	\$ 118,946	\$ 1,156,182
Accounts receivable:			
Taxes	13,907	-	13,907
Intergovernmental - Federal	128,536	-	128,536
Inventory	-	7,584	7,584
Capital Assets, net			
Nondepreciable	28,072	-	28,072
Depreciable	<u>2,926,486</u>	<u>64,765</u>	<u>2,991,251</u>
Total assets	<u>4,134,237</u>	<u>191,295</u>	<u>4,325,532</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension contributions	<u>84,265</u>	<u>18,909</u>	<u>103,174</u>
	<u>84,265</u>	<u>18,909</u>	<u>103,174</u>
LIABILITIES			
Accounts payable	64,719	-	64,719
Accrued expense	4,328	-	4,328
Current portion of KSBIT assessment payable	26,245	-	26,245
Current portion of capital lease obligations	57,883	-	57,883
Current maturities of bond obligations	95,000	-	95,000
Interest payable	13,115	-	13,115
Net pension liability - noncurrent	612,540	145,460	758,000
Noncurrent portion of KSBIT assessment payable	77,438	-	77,438
Noncurrent portion of capital lease obligations	242,834	-	242,834
Noncurrent maturities of bond obligations	1,455,000	-	1,455,000
Noncurrent portion of accumulated sick leave	<u>49,268</u>	<u>-</u>	<u>49,268</u>
Total liabilities	<u>2,698,370</u>	<u>145,460</u>	<u>2,843,830</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts from pension changes	<u>68,688</u>	<u>16,312</u>	<u>85,000</u>
NET POSITION			
Net investment in capital assets	1,103,841	64,765	1,168,606
Restricted for:			
Capital expenditures	97,668	-	97,668
Other	3,166,686	(16,333)	3,150,353
Unrestricted	<u>(2,916,751)</u>	<u>-</u>	<u>(2,916,751)</u>
Total net position	<u>\$ 1,451,444</u>	<u>\$ 48,432</u>	<u>\$ 1,499,876</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	\$ 3,652,365	\$ 6,052	\$ 1,803,904	\$ -	\$ (1,842,409)	\$ -	\$ (1,842,409)
Student	183,166	-	32,342	-	(150,824)	-	(150,824)
Instructional support	166,637	-	122,616	-	(44,021)	-	(44,021)
District administration	1,038,997	-	320,418	-	(718,579)	-	(718,579)
School administration	258,909	-	-	-	(258,909)	-	(258,909)
Business support	296,817	-	36,566	-	(260,251)	-	(260,251)
Plant operations and maintenance	383,769	-	-	-	(383,769)	-	(383,769)
Student transportation	276,045	-	14,748	-	(261,297)	-	(261,297)
Community services	65,530	-	65,135	-	(395)	-	(395)
Interest on long-term debt	28,055	-	-	68,117	40,062	-	40,062
Total governmental activities	6,350,290	6,052	2,395,729	68,117	(3,880,392)	-	(3,880,392)
Business-type activities							
Food service	366,245	12,174	380,206	-	-	26,135	26,135
Total business-type activities	366,245	12,174	380,206	-	-	26,135	26,135
Total primary government	\$ 6,716,535	\$ 18,226	\$ 2,775,935	\$ 68,117	(3,880,392)	26,135	(3,854,257)
General revenues							
Taxes:							
					740,304	-	740,304
					136,090	-	136,090
					286,529	-	286,529
					1,333	-	1,333
				Earnings on investments	1,662	-	1,662
				State grants	2,731,349	-	2,731,349
				Other local amounts	222,297	-	222,297
				Gain/(loss) on disposal of assets	25,265	-	25,265
				Total general revenues	4,144,829	-	4,144,829
				Change in net position	264,437	26,135	290,572
				Net position as of June 30, 2014, restated	1,187,007	22,297	1,209,304
				Net position as of June 30, 2015	\$ 1,451,444	\$ 48,432	\$ 1,499,876

The accompanying notes are an integral part of these financial statements

JENKINS INDEPENDENT SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Special Revenue Funds	Facility Support Building Fund (FSPK)	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 723,405	\$ -	\$ 243,837	\$ 105,609	\$ 76,316	\$ 1,149,167
Accounts receivable:						
Taxes	13,907	-	-	-	-	13,907
Intergovernmental - Federal	-	128,536	-	-	-	128,536
Total assets	\$ 737,312	\$ 128,536	\$ 243,837	\$ 105,609	\$ 76,316	\$ 1,291,610
LIABILITIES AND FUND BALANCES						
Liabilities						
Checks written in excess of account balance	\$ -	\$ 111,931	\$ -	\$ -	\$ -	\$ 111,931
Accounts payable	40,173	16,605	-	7,941	-	64,719
Accrued expense	4,328	-	-	-	-	4,328
Total liabilities	44,501	128,536	-	7,941	-	180,978
Fund balances						
Restricted	-	-	243,837	97,668	76,316	417,821
Assigned	3,012	-	-	-	-	3,012
Unassigned	689,799	-	-	-	-	689,799
Total fund balances	692,811	-	243,837	97,668	76,316	1,110,632
Total liabilities and fund balances	\$ 737,312	\$ 128,536	\$ 243,837	\$ 105,609	\$ 76,316	\$ 1,291,610

JENKINS INDEPENDENT SCHOOL DISTRICT

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

Year ended June 30, 2015

Total fund balances - governmental funds	\$ 1,110,632
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	2,954,558
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position	84,265
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(1,550,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(300,717)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	(49,268)
KSBIT assessment payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position	(103,683)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position	(612,540)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position.	(68,688)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	<u>(13,115)</u>
Total net position - governmental activities	<u>\$ 1,451,444</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 Year ended June 30, 2015

	General Fund	Special Revenue Funds	Facility Support Building Fund (FSPK)	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Taxes						
Property	\$ 686,298	\$ -	\$ 54,006	\$ -	\$ -	\$ 740,304
Motor vehicle	136,090	-	-	-	-	136,090
Utility	286,529	-	-	-	-	286,529
Other	1,333	-	-	-	-	1,333
Earnings on investments	1,662	-	-	-	-	1,662
Student activities	-	-	-	-	16,955	16,955
Other local	205,342	12,420	-	-	-	217,762
Intergovernmental - State	3,385,434	326,266	119,066	-	68,117	3,898,883
Intergovernmental - Federal	6,052	830,211	-	-	-	836,263
Total revenues	4,708,740	1,168,897	173,072	-	85,072	6,135,781
Expenditures						
Current:						
Instruction	2,365,838	1,010,455	-	-	11,122	3,387,415
Student	171,297	-	-	-	-	171,297
Instructional support	65,189	89,650	-	-	-	154,839
District administration	921,182	-	-	-	-	921,182
School administration	259,340	-	-	-	-	259,340
Business support	284,015	-	-	-	-	284,015
Plant operations and maintenance	285,457	-	-	-	2,366	287,823
Student transportation	206,091	14,748	-	-	-	220,839
Community services	-	65,135	-	-	-	65,135
Building acquisition and construction	-	-	-	342,776	-	342,776
Debt service	67,239	-	-	-	152,025	219,264
Total expenditures	4,625,648	1,179,988	-	342,776	165,513	6,313,925
Excess (deficit) of revenues over (under) expenditures	83,092	(11,091)	173,072	(342,776)	(80,441)	(178,144)
Other financing sources (uses)						
Proceeds from sale of fixed assets	67,919	-	-	-	-	67,919
Transfers in	1,479	11,091	-	287,857	130,122	430,549
Transfers out	(211,263)	-	(173,072)	-	(46,214)	(430,549)
Total other financing sources (uses)	(141,865)	11,091	(173,072)	287,857	83,908	67,919
Net change in fund balance	(58,773)	-	-	(54,919)	3,467	(110,225)
Fund balance as of June 30, 2014	751,584	-	243,837	152,587	72,849	1,220,857
Fund balance as of June 30, 2015	\$ 692,811	\$ -	\$ 243,837	\$ 97,668	\$ 76,316	\$ 1,110,632

JENKINS INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2015

Net change in total fund balances - governmental funds	\$ (110,225)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the Statement of Net Position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	191,102
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements but is a component of interest in the Statement of Activities.	
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	190,175
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.	1,034
Calculated pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the Statement of Activities, and current year contributions are deferred.	14,582
Accumulated sick leave is recognized by the amount earned in the Statement of Activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	20,423
Proceeds from the sale of assets are recognized as revenue in the governmental funds but are recorded as gains or losses in the Statement of Activities.	<u>(42,654)</u>
Change in net position - governmental activities	<u>\$ 264,437</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS

June 30, 2015

	<u>Food Service Fund</u>	<u>Total</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 118,946	\$ 118,946
Inventory	<u>7,584</u>	<u>7,584</u>
Total current assets	<u>126,530</u>	<u>126,530</u>
Noncurrent assets		
Capital assets	164,860	164,860
Less accumulated depreciation	<u>(100,095)</u>	<u>(100,095)</u>
Total noncurrent assets	<u>64,765</u>	<u>64,765</u>
Total assets	<u>191,295</u>	<u>191,295</u>
Deferred outflow of resources		
Deferred outflows of contributions	<u>18,909</u>	<u>18,909</u>
LIABILITIES		
Noncurrent liabilities		
Net pension liability	<u>145,460</u>	<u>145,460</u>
Total noncurrent liabilities		
Total liabilities	<u>145,460</u>	<u>145,460</u>
Deferred inflow of resources		
Deferred inflows related to pension expense	<u>16,312</u>	<u>16,312</u>
NET POSITION		
Net investment in capital assets	64,765	64,765
Restricted for:		
Other	(16,333)	(16,333)
Unrestricted	<u>-</u>	<u>-</u>
Total net position	<u>\$ 48,432</u>	<u>\$ 48,432</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 Year ended June 30, 2015

	Food Service Fund	Total
Operating revenues		
Lunchroom sales	\$ 10,145	\$ 10,145
Other	2,029	2,029
Total operating revenues	<u>12,174</u>	<u>12,174</u>
Operating expenses		
Salaries and wages	107,653	107,653
Employee benefits	61,113	61,113
Materials and supplies	192,310	192,310
Depreciation	5,169	5,169
Total operating expenses	<u>366,245</u>	<u>366,245</u>
Operating income/(loss)	<u>(354,071)</u>	<u>(354,071)</u>
Nonoperating revenues		
Federal grants	317,169	317,169
State grants	39,961	39,961
Donated commodities	23,076	23,076
Total nonoperating revenues/(expenses)	<u>380,206</u>	<u>380,206</u>
Income before contributions		
Transfers and special items	<u>26,135</u>	<u>26,135</u>
Change in net position	26,135	26,135
Net position as of June 30, 2014 (restated)	<u>22,297</u>	<u>22,297</u>
Net position as of June 30, 2015	<u>\$ 48,432</u>	<u>\$ 48,432</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 Year ended June 30, 2015

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from:		
Lunchroom sales	\$ 10,145	\$ 10,145
Other activities	2,029	2,029
Cash paid to/for:		
Employees	(171,127)	(171,127)
Supplies	(196,949)	(196,949)
Net cash used in operating activities	<u>(355,902)</u>	<u>(355,902)</u>
Cash flows from non-capital financing activities		
Grants received	<u>360,616</u>	<u>360,616</u>
Net cash used in non-capital financing activities	<u>360,616</u>	<u>360,616</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(29,605)</u>	<u>(29,605)</u>
Net cash used in capital and related activities	<u>(29,605)</u>	<u>(29,605)</u>
Net increase in cash and cash equivalents	(24,891)	(24,891)
Cash and cash equivalents as of June 30, 2014	<u>143,837</u>	<u>143,837</u>
Cash and cash equivalents as of June 30, 2015	<u>\$ 118,946</u>	<u>\$ 118,946</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income/ (loss)	\$ (354,071)	\$ (354,071)
Adjustments to reconcile change in net position to net cash used in operating activities:		
Increase/(decrease) in accounts payable	(27,715)	(27,715)
Net change in pension expense	-	-
Donated commodities	23,076	23,076
Depreciation	<u>5,169</u>	<u>5,169</u>
Net cash used in operating activities	<u>\$ (353,541)</u>	<u>\$ (353,541)</u>
Schedule of non-cash transactions:		
Depreciation	\$ 5,169	\$ 5,169
Donated commodities	<u>23,076</u>	<u>23,076</u>
Total non-cash transactions	<u>\$ 28,245</u>	<u>\$ 28,245</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

June 30, 2015

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS		
Cash	\$ 29,676	\$ 29,676
Total assets	<u>29,676</u>	<u>29,676</u>
LIABILITIES		
Due to student groups	<u>29,676</u>	<u>29,676</u>
Total liabilities	<u>29,676</u>	<u>29,676</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Jenkins Independent Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a summary of the basis of presentation:

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

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

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

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

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

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

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

The District has the following funds:

I. Government Fund Types

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

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

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

I. Government Fund Types - continued

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

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

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

II. Proprietary Fund Types (Enterprise Funds)

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

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

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

Basis of Accounting

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

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

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

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

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

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

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.777 per \$100 valuation for real property, \$.777 per \$100 valuation for business personal property and \$.690 per \$100 valuation for motor vehicles.

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

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

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Interfund Receivables and Payables

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

Budgetary Process

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

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

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

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

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the General Fund inventory is stated at cost and uses the first-in, first-out method.

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

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

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

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015, in the governmental funds balance sheet.

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

Net Position

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

Operating and Non-Operating Revenues and Expenses

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

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

Contributions of Capital

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

Interfund Activity

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

Estimates

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

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

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

Pensions

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

3 CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance, collateral agreements, and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Whitaker Bank	\$ 1,398,350	\$ 1,185,858
	<u>-</u>	<u>-</u>
	<u>\$ 1,398,350</u>	<u>\$ 1,185,858</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,037,236
Proprietary funds	118,946
Agency funds	<u>29,676</u>
	<u>\$ 1,185,858</u>

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

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

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

5 CUSTODIAL CREDIT RISK – DEPOSITS

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2015, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	June 30, 2014		June 30, 2015	
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 63,665	\$ -	\$ 14,209	\$ 49,456
Buildings	4,484,416	366,318	364,062	4,486,672
Technology equipment	630,595	-	-	630,595
Vehicles	785,550	-	84,831	700,719
General equipment	153,901	-	-	153,901
Construction work in progress	-	7,941	-	7,941
Total historical cost	6,118,127	374,259	463,102	6,029,284
Less accumulated depreciation	3,312,019	183,156	420,449	3,074,726
Governmental capital assets, net	<u>\$ 2,806,108</u>	<u>\$ 191,103</u>	<u>\$ 42,653</u>	<u>\$ 2,954,558</u>
Business-type Activities				
Food service and equipment	\$ 135,255	29,604	-	\$ 164,859
Total historical cost	135,255	29,604	-	164,859
Less accumulated depreciation	94,925	5,169	-	100,094
Business-type capital assets, net	<u>\$ 40,330</u>	<u>\$ 24,435</u>	<u>\$ -</u>	<u>\$ 64,765</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

5 CAPITAL ASSETS – CONTINUED

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

Instruction	\$	27,925
Student		343
Instruction staff		-
District administrative		1,660
School administrative		226
Business		-
Plant operation and maintenance		96,676
Student transportation		55,767
Community services		559
		<u>183,156</u>
	\$	<u>183,156</u>

6. CAPITAL LEASE PAYABLE

The District has entered into a capital lease agreement for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2015:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2014	Debt Issued	Debt Paid	Balance June 30, 2015	Due Within One Year
KISTA:								
2009-2nd Series	March 2019	2.0% - 3.9%	\$ 231,403	\$ 115,574	\$ -	\$ 23,388	\$ 92,186	\$ 24,071
2009-3rd Series	March 2020	2.0% - 3.6%	154,690	92,241	-	15,175	77,066	15,525
2011	March 2021	1.0% - 3.6%	83,246	56,760	-	8,041	48,719	8,041
2014	March 2024	2.0% - 3.0%	92,790	92,790	-	10,044	82,746	10,246
			<u>\$ 562,129</u>	<u>\$ 357,365</u>	<u>\$ -</u>	<u>\$ 56,648</u>	<u>\$ 300,717</u>	<u>\$ 57,883</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2015:

Year	Principal	Interest	Total
2015-16	\$ 57,883	\$ 9,139	\$ 67,022
2016-17	57,617	7,528	65,145
2017-18	55,163	5,784	60,947
2018-19	54,002	4,050	58,052
2019-24	<u>76,052</u>	<u>4,927</u>	<u>80,979</u>
Totals	<u>\$ 300,717</u>	<u>\$ 31,428</u>	\$ 332,145
		Less: amounts representing interest	<u>(31,428)</u>
		Net capital lease liability	<u>\$ 300,717</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

7. LONG-TERM OBLIGATIONS

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2007	\$ 1,875,000	1.0% - 3.6%

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

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015 for debt service (principal and interest) are as follows:

Table on following page

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

7. LONG-TERM OBLIGATIONS-CONTINUED

Year	Jenkins Independent School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2015-16	\$ 81,411	\$ 50,382	\$ 13,589	\$ 8,313	\$ 95,000	\$ 58,695
2016-17	85,906	47,327	14,094	7,808	100,000	55,135
2017-18	85,371	44,137	14,629	7,273	100,000	51,410
2018-19	89,808	40,830	15,192	6,710	105,000	47,540
2019-20	94,219	37,333	15,781	6,122	110,000	43,455
2020-21	98,600	33,621	16,400	5,502	115,000	39,123
2021-22	102,947	29,690	17,053	4,850	120,000	34,540
2022-23	107,260	25,538	17,740	4,162	125,000	29,700
2023-24	111,536	21,162	18,464	3,438	130,000	24,600
2024-25	115,782	16,615	19,218	2,685	135,000	19,300
2025-26	114,998	12,000	20,002	1,900	135,000	13,900
2026-27	119,181	7,316	20,819	1,084	140,000	8,400
2027-28	123,315	2,465	16,685	334	140,000	2,799
	<u>\$ 1,330,334</u>	<u>\$ 368,416</u>	<u>\$ 219,666</u>	<u>\$ 60,181</u>	<u>\$ 1,550,000</u>	<u>\$ 428,597</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2015 is as follows:

School Building Revenue Bonds	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
2007	\$ 1,640,000	\$ -	\$ 90,000	\$ 1,550,000
KSBIT Novation	147,210	-	43,527	103,683
Accrued Sick Leave	69,691	-	20,423	49,268
	<u>\$ 1,856,901</u>	<u>\$ -</u>	<u>\$ 153,950</u>	<u>\$ 1,702,951</u>

8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (CERS)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

8. RETIREMENT PLANS – CONTINUED

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. 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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Funding Policy – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 18.63% of the employee's total compensation subject to contribution.

8. RETIREMENT PLANS – CONTINUED

General information about the Teachers' Retirement System of the State of Kentucky (KTRS)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

8. RETIREMENT PLANS – CONTINUED

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees 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.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 758,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>15,530,942</u>
	<u>\$ 16,288,942</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

8. RETIREMENT PLANS – CONTINUED

The net pension liability for each plan 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.023359%.

For the year ended June 30, 2015, the District recognized pension expense of \$86,231 related to CERS and \$761,048 related to KTRS. The District also recognized revenue of \$761,048 for KTRS support provided by the Commonwealth. 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	85,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>103,174</u>	<u>-</u>
Total	<u><u>\$ 103,174</u></u>	<u><u>\$ 85,000</u></u>

The \$103,174 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
	<u> </u>
2016	\$ 17,000
2017	\$ 17,000
2018	\$ 17,000
2019	\$ 17,000
2020	\$ 17,000

8. RETIREMENT PLANS – CONTINUED

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:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, 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.

For CERS, the long-term expected return on plan assets 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, net of investment expense and inflation) 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.

For KTRS, the long-term expected 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 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's investment consultant, are summarized in the following table:

See Table on Next Page

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

8. RETIREMENT PLANS - CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, 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 employees 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 CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 997,285	\$ 758,000	\$ 546,311
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

8. RETIREMENT PLANS - CONTINUED

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2015, 2014 and 2013 was \$399,695, \$343,649, and \$317,797, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2014, 2013, and 2012 were \$132,796, \$101,235, and \$148,596 respectively. Per KTRS, all contributions made by the District are for health insurance and should not be considered contributions towards retirement. The District met their contribution requirements.

9. LEASES

As of June 30, 2015, the District had not entered into any material operating leases.

10. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2015 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

11. LITIGATION

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

12. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$756,769 reduction in beginning net position on the Statement of Activities and an increase of \$103,174 of deferred outflows of resources – District contributions subsequent to the measurement date. The restatement of beginning net position was \$145,224 to the Food Service Fund (proprietary) and a \$611,545 reduction to the government wide presentation of the governmental funds respectively.

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2015

13. RISK MANAGEMENT

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

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

14. DEFICIT FUND BALANCES

The District did not have any funds with deficit balances at June 30, 2015. However, there may be funds with deficit operating balances.

15. COBRA

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

16. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 11,091
Operating	Building	Construction	Construction	\$ 68,873
Operating	General	Construction	Construction	\$ 250,172
Operating	Building	Debt Service	Debt Service	\$ 104,199
Operating	Capital Outlay	Construction	COFT	\$ 18,813
Operating	Capital Outlay	Debt Service	COFT	\$ 25,923
Operating	Capital Outlay	General	COFT	\$ 1,478

17. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2015, there were no interfund balances outstanding that are reflected in the financial statements.

18. ON-BEHALF PAYMENTS

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

18. ON-BEHALF PAYMENTS - CONTINUED

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

Retirement contributions to the Teachers'		
Retirement System of Kentucky	\$	307,368
Health and Life insurance		497,710
Technology		32,367
Debt Service		21,903
		<u>859,348</u>
	\$	<u>859,348</u>

19. FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Capital Outlay	\$ 76,316	SFCC/Future Construction
FSPK	\$ 243,837	SFCC/Future Construction
Construction	\$ 97,668	Future Construction

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 3,012	Purchase obligations

20. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through the date of the audit report. No events that have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 668,386	\$ 668,386	\$ 686,298	\$ 17,912
Motor vehicle	110,000	110,000	136,090	26,090
Utility	210,000	210,000	286,529	76,529
Other	5,000	5,000	1,333	(3,667)
Earnings on investments	1,400	1,400	1,662	262
Other local	25,000	25,000	205,342	180,342
Intergovernmental - State	3,437,664	3,437,664	3,385,434	(52,230)
Intergovernmental - Federal	3,000	3,000	6,052	3,052
Total revenues	<u>4,460,450</u>	<u>4,460,450</u>	<u>4,708,740</u>	<u>248,290</u>
Expenditures				
Current:				
Instruction	2,555,602	2,555,602	2,365,838	189,764
Student	178,579	178,579	171,297	7,282
Instructional support	99,261	99,261	65,189	34,072
District administration	970,515	970,515	921,182	49,333
School administration	290,303	290,303	259,340	30,963
Business support	307,827	307,827	284,015	23,812
Plant operations and maintenance	362,260	362,260	285,457	76,803
Student transportation	309,132	309,132	206,091	103,041
Debt service	79,456	79,456	67,239	12,217
Total expenditures	<u>5,152,935</u>	<u>5,152,935</u>	<u>4,625,648</u>	<u>527,287</u>
Excess (deficit) of revenues over (under) expenditures	(692,485)	(692,485)	83,092	775,577
Other financing sources (uses)				
Proceeds from sale of equipment	-	-	67,919	67,919
Transfers in	-	-	1,479	1,479
Transfers out	(20,000)	(20,000)	(211,263)	(191,263)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(141,865)</u>	<u>(121,865)</u>
Net change in fund balance	(712,485)	(712,485)	(58,773)	653,712
Fund balance as of June 30, 2014	<u>751,584</u>	<u>751,584</u>	<u>751,584</u>	-
Fund balance as of June 30, 2015	<u>\$ 39,099</u>	<u>\$ 39,099</u>	<u>\$ 692,811</u>	<u>\$ 653,712</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 8,761	\$ 13,761	\$ 12,420	\$ (1,341)
Intergovernmental - State	281,005	331,732	326,266	(5,466)
Intergovernmental - Federal	903,221	853,314	830,211	(23,103)
Total revenues	<u>1,192,987</u>	<u>1,198,807</u>	<u>1,168,897</u>	<u>(29,910)</u>
Expenditures				
Current:				
Instruction	972,403	977,743	1,010,455	(32,712)
Instructional support	115,155	115,155	89,650	25,505
Student transportation	31,340	31,340	14,748	16,592
Community service	69,931	69,931	65,135	4,796
Total expenditures	<u>1,188,829</u>	<u>1,194,169</u>	<u>1,179,988</u>	<u>14,181</u>
Deficit of revenues under expenditures	<u>4,158</u>	<u>4,638</u>	<u>(11,091)</u>	<u>15,729</u>
Other financing sources				
Operating transfers in	<u>15,482</u>	<u>15,482</u>	<u>11,091</u>	<u>(4,391)</u>
Total other financing sources	<u>15,482</u>	<u>15,482</u>	<u>11,091</u>	<u>(4,391)</u>
Net change in fund balance	<u>19,640</u>	<u>20,120</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2014	<u>22,354</u>	<u>22,354</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2015	<u>\$ 41,994</u>	<u>\$ 42,474</u>	<u>\$ -</u>	<u>\$ -</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND**

Year ended June 30, 2015

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

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2015

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.02%	\$ 758,000	\$ 535,899	141.44%	66.80%

* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2015

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2015	\$ 103,174	\$ 103,174	\$ -	\$ 587,386	17.56%
2014	\$ 101,231	\$ 101,231	\$ -	\$ 535,899	18.89%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
 Year ended June 30, 2015

	<u>State's proportion of net pension liability (asset)</u>	<u>State's proportionate share of the net pension liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	100%	\$ 15,530,942	45.59%

* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2015

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Annual contribution deficiency (excess)</u>
2015	\$ 365,991	\$ 365,991	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

JENKINS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,467	\$ 72,849	\$ -	\$ 76,316
Total assets	\$ 3,467	\$ 72,849	\$ -	\$ 76,316
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Restricted	3,467	72,849	-	76,316
Unassigned	-	-	-	-
Total liabilities fund balances	\$ 3,467	\$ 72,849	\$ -	\$ 76,316

JENKINS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues				
From local sources:				
Student activities	\$ 16,955	\$ -	\$ -	\$ 16,955
Intergovernmental - State	-	46,214	21,903	68,117
	<u>16,955</u>	<u>46,214</u>	<u>21,903</u>	<u>85,072</u>
Total revenues				
	<u>16,955</u>	<u>46,214</u>	<u>21,903</u>	<u>85,072</u>
Expenditures				
Instruction	11,122	-	-	11,122
Plant operations and maintenance	2,366	-	-	2,366
Debt service	-	-	152,025	152,025
	<u>13,488</u>	<u>-</u>	<u>152,025</u>	<u>165,513</u>
Total expenditures				
	<u>13,488</u>	<u>-</u>	<u>152,025</u>	<u>165,513</u>
Other financing sources (uses)				
Transfers In	-	-	130,122	130,122
Transfers out	-	(46,214)	-	(46,214)
	<u>-</u>	<u>(46,214)</u>	<u>130,122</u>	<u>83,908</u>
Total other financing sources (uses)				
	<u>-</u>	<u>(46,214)</u>	<u>130,122</u>	<u>83,908</u>
Net change in fund balance	3,467	-	-	3,467
Fund balance as of June 30, 2014	-	72,849	-	72,849
	<u>-</u>	<u>72,849</u>	<u>-</u>	<u>72,849</u>
Fund balance as of June 30, 2015	<u>\$ 3,467</u>	<u>\$ 72,849</u>	<u>\$ -</u>	<u>\$ 76,316</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
JENKINS INDEPENDENT HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Annual	\$ -	\$ 1,506	\$ -	\$ -	\$ 1,506	\$ -	\$ -	\$ 1,506
Archery	66	1,207	1,020	-	253	-	-	253
Athletics	277	26	258	(45)	-	-	-	-
Attendance	28	-	-	(28)	-	-	-	-
Band	530	8,364	8,403	-	491	-	-	491
Band Uniforms	300	-	-	-	300	-	-	300
Baseball	106	2,526	2,495	-	137	-	-	137
Boys Basketball	2,393	4,938	5,960	(594)	777	-	-	777
Burdine A.R.	276	-	-	(276)	-	-	-	-
Burdine Campus Gen	6,485	4,126	5,353	(2,620)	2,638	-	-	2,638
Burdine Staff	1,661	913	2,011	-	563	-	-	563
Change	-	250	350	100	-	-	-	-
Cheerleading	420	1,495	1,716	-	199	-	-	199
CAVS Store Burdine	-	9,540	6,670	(2,500)	370	-	-	370
Class of 2013	20	-	-	(20)	-	-	-	-
Class of 2014	846	-	-	(846)	-	-	-	-
Class of 2015	1,255	7,471	9,040	347	33	-	-	33
Class of 2016	7,156	3,863	8,135	-	2,884	-	-	2,884
Class of 2017	320	-	-	-	320	-	-	320
Class of 2019	-	8,441	6,881	-	1,560	-	-	1,560
Curtains	696	-	287	(409)	-	-	-	-
DAF Instruction	-	-	14,663	14,663	-	-	-	-
Elem Basketball	55	-	-	(55)	-	-	-	-
Elem Football	334	-	-	(334)	-	-	-	-
Elem Library	1,200	5,556	4,053	(2,703)	-	-	-	-
Ele PTO	1,282	2,429	2,136	(290)	1,285	-	-	1,285
FCA	1	-	-	(1)	-	-	-	-
Field Trips	12	-	-	(12)	-	-	-	-
FMD Unit	-	142	490	516	168	-	-	168
Football	3,183	5,668	6,374	(557)	1,920	-	-	1,920

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
JENKINS INDEPENDENT HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2015

	Balances			Transfers	Cash and Cash	Accounts	Accounts	Balances
	June 30, 2014	Receipts	Disbursements	in	Equivalents	Receivable	Payable	June 30, 2015
					June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
FRYSC	\$ 1,175	\$ -	\$ -	\$ -	\$ 1,175	\$ -	\$ -	\$ 1,175
General Fund	1,490	2,598	3,853	231	466	-	-	466
Girls Basketball	1,765	4,890	3,760	(538)	2,357	-	-	2,357
Golf	137	25	25	-	137	-	-	137
Grants/Greenhouse	2,292	-	2,292	-	-	-	-	-
Interact Club	558	-	-	-	558	-	-	558
Ipads	1,000	-	1,000	-	-	-	-	-
JMHS Store	-	1,280	990	(290)	-	-	-	-
KIDS Inc.	145	5,100	4,652	-	593	-	-	593
Library	13	730	730	(13)	-	-	-	-
LilCavs Cheer	11	-	-	(11)	-	-	-	-
Locks	2,918	801	-	(3,719)	-	-	-	-
Mentor Club	-	51	-	-	51	-	-	51
MS Academic Team	3	-	-	-	3	-	-	3
MS Boys Basketball	748	3,588	3,930	(130)	276	-	-	276
MS Cheerleading	52	1,638	1,561	-	129	-	-	129
MS Football	56	-	-	-	56	-	-	56
MS Girls Basketball	952	1,260	1,135	-	1,077	-	-	1,077
Preschool	-	140	-	-	140	-	-	140
Pee Wee Cheer	27	-	-	-	27	-	-	27
Pee Wee Sports	1,464	6,924	4,692	400	4,096	-	-	4,096
Playground Burdine	500	-	500	-	-	-	-	-
Softball	189	4,207	3,429	-	967	-	-	967
Spirit Club	353	-	-	(353)	-	-	-	-
Staff Activities	838	1,096	1,190	-	744	-	-	744
STLP	91	-	-	(91)	-	-	-	-
Student Activities	29	-	-	(29)	-	-	-	-
Testing Incentives Elem	15	-	-	(15)	-	-	-	-
Track	1,114	1,132	1,845	-	401	-	-	401
Transcripts	35	10	-	-	45	-	-	45

JENKINS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
JENKINS INDEPENDENT HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in	Cash and Cash Equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Unit 117	\$ 16	\$ -	\$ -	\$ (16)	\$ -	\$ -	\$ -	\$ -
Volleyball	2,347	3,726	5,537	438	974	-	-	974
Wrestling	-	200	-	(200)	-	-	-	-
Total accounts	\$ 49,235	\$ 107,857	\$ 127,416	\$ -	\$ 29,676	\$ -	\$ -	\$ 29,676

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582		
Fiscal Year 14		7790012-14	\$ 1,826
Fiscal Year 15		7790012-15	9,604
State Administrative Expenses for Child Nutrition	10.560		
Fiscal Year 15		51-4500	790
<i>Child Nutrition Cluster</i>			<u>12,220</u>
School Breakfast Program	10.553		
Fiscal Year 14		7760005-14	23,137
Fiscal Year 15		7760005-15	70,825
National School Lunch Program	10.555		
Fiscal Year 14		7750002-14	49,490
Fiscal Year 15		7750002-15	158,869
Summer Food Service Program for Children	10.559		
Fiscal Year 14		7740023-14	2,629
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 15		51-4550	23,076
<i>Child Nutrition Cluster Total</i>			<u>328,026</u>
Total US Department of Agriculture			<u>340,246</u>
US Department of Education			
Passed Through State Department of Education			
<i>Title I Cluster</i>			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 14		3100002-14	117,763
Fiscal Year 15		3100002-15	215,871
<i>Title I Cluster Total</i>			<u>333,634</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027		
Fiscal Year 14		3810002-14	58,041
Fiscal Year 15		3810002-15	61,115
Special Education-Preschool Grants	84.173		
Fiscal Year 14		3800002-14	3,010
Fiscal Year 15		3800002-15	8,255
<i>Special Education Cluster Total</i>			<u>130,421</u>
Career and Technical Education-Basic Grants to States	84.048		
Fiscal Year 15		4621132-15	482
			<u>482</u>
Improving Teacher Quality State Grants	84.367		
Fiscal Year 14		3230002-14	47,438
Fiscal Year 15		3230002-15	2,162
			<u>49,600</u>

JENKINS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Race to the Top Fiscal Year 15	84.413	4521	11,931
			<u>11,931</u>
Twenty-First Century Community Learning Centers Fiscal Year 15	84.287	3400002-15	149,029
			<u>149,029</u>
Passed Through Berea College: Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 15	84.334	2-379A	54,683
			<u>54,683</u>
Passed through KVEC Race to the Top - District Grants - ARRA Fiscal Year 15	84.416	2-436A	100,429
			<u>100,429</u>
Total US Department of Education			<u>830,209</u>
Total Expenditure of Federal Awards			\$ <u>1,170,455</u>

JENKINS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

1. BASIS OF PRESENTATION

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

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2015 is \$23,076.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

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



Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jenkins Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Jenkins Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

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

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

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



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Compliance and Other Matters

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

Additional matters, if any, were communicated to the management of Jenkins Independent School District in a separate letter dated November 13, 2015.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 13, 2015



Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Jenkins Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jenkins Independent School District's major federal programs for the year ended June 30, 2015. The Jenkins Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Jenkins Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



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Report on Internal Control over Compliance

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

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

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

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

We have audited the financial statements of Jenkins Independent School District, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.



Purpose of this Report

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Race To the Top – District grant - ARRA	84.416
Twenty-First Century Community Learning Centers	84.287

Dollar threshold used to distinguish between Type A and Type B program	\$300,000		
Auditee qualified as low risk	_____	Yes <input checked="" type="checkbox"/>	No

(continued)

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year ended June 30, 2015

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

JENKINS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2015

Status of Prior Year Findings

There were no prior year findings



Cloyd & Associates, PSC
Certified Public Accountants

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

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

The memorandum that accompanies this letter summarizes our comments and suggestions,, if any. This letter does not affect our report thereon dated November 13, 2015, on the basic financial statements of Jenkins Independent School District.

Respectfully,

Cloyd & Associates, PSC
Cloyd & Associates, PSC
London, Kentucky
November 13, 2015

MANAGEMENT LETTER COMMENTS

**JENKINS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the year ended June 30, 2015**

Prior Year Comments – School Activity Funds

There are no comments in the current fiscal year.

Current Year Comments –School Activity Funds

There are no comments in the current fiscal year.