

SIMPSON COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

SIMPSON COUNTY SCHOOL DISTRICT

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SIMPSON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Simpson County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 19, budgetary comparison information on pages 54 to 55, schedule of proportionate share of the net pension liability on page 56 and schedule of contributions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simpson County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2015, on our consideration of Simpson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County School District's internal control over financial reporting and compliance.



Certified Public Accountants
Elizabethtown, Kentucky
September 2, 2015

REQUIRED SUPPLEMENTARY INFORMATION



**SIMPSON COUNTY SCHOOL DISTRICT
FRANKLIN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Simpson County Public School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

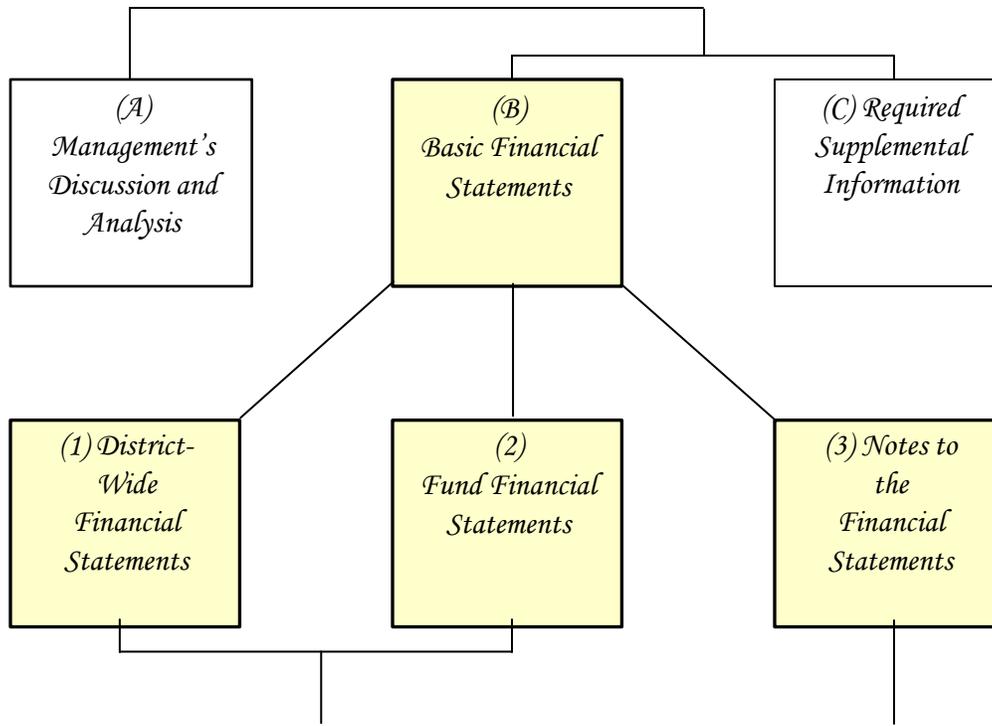
FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was \$3,644,734. The ending General Fund balance was \$4,180,020.
- The majority of General Fund revenues were derived from state sources (68.3%) and local taxes (30.8%). Regular instruction, student support services, instructional support services and school administration account for 78% of the General Fund expenditures. Pupil Transportation expenditures were 6%, maintenance and operations 10%, business functions 3%, and central office support, non-instructional, and fund transfers making up the remaining 3%.
- One continued concern is the impact of unfunded mandates without the compensating increase in SEEK which causes a reflection in the growth of expenses each year. SEEK is an acronym for Support Educational Excellence in Kentucky and is the state formula for funding schools. Salaries and benefits are recurring expenses that will continue to be an issue to the district to maintain quality employees without the State support of proper funding of mandates which can cause a drain on our resources.
- There is a noticeable difference reported between the budgetary and the actual revenue and expenditures due to reporting requirements mandated by the Kentucky Department of Education's (KDE) implementation of GASB regulations. The state's contribution for items including pension, technology, health care costs, operation costs and debt service totaled \$5,464,716 for all funds and is included in the district's revenues and expenditures. These are recorded within the audit as "On-Behalf Payments".
- The Capital Outlay and Facility Support Program of Kentucky (FSPK) Fund remained at a minimum due to utilization of restricted funds for renovations and improvement of facilities.
- There was one facility improvement and building project close to completion at the end of the 2014-2015 school year in the Simpson County School District. The District had finished construction on the FSHS Greenhouse with minor site work to be completed during July 2015. The District has initiated several new projects including an emergency project at Lincoln Elementary to replace a cooling tower and roof and HVAC replacements/repairs at several District locations.
- The District implemented GASB 68 for the year ended June 30, 2015 resulting in substantial decreases to net position in the governmental and business-type activities. GASB 68 required entries affecting net pension liability, deferred outflows for pension contributions and deferred inflows for investment performance. In addition, actuarial valuations have increased for KTRS on-behalf payments.

Overview of the Annual Financial Report (AFR)

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

Organization of the Annual Financial Report



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

Notes to Financial Statements:

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

Reporting the School District as a Whole

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

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

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

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

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$10,769,052 as of June 30, 2015. This was a decrease of \$3,805,352 over the previous year. The substantial decrease is due to the adoption of GASB 68. GASB 68 required accounting entries affecting net pension liability, deferred outflows for pension contributions and deferred inflows for investment performance. In addition, actuarial valuations have substantially increased for KTRS on-behalf payments.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net related of debt was \$11,224,739. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its

capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

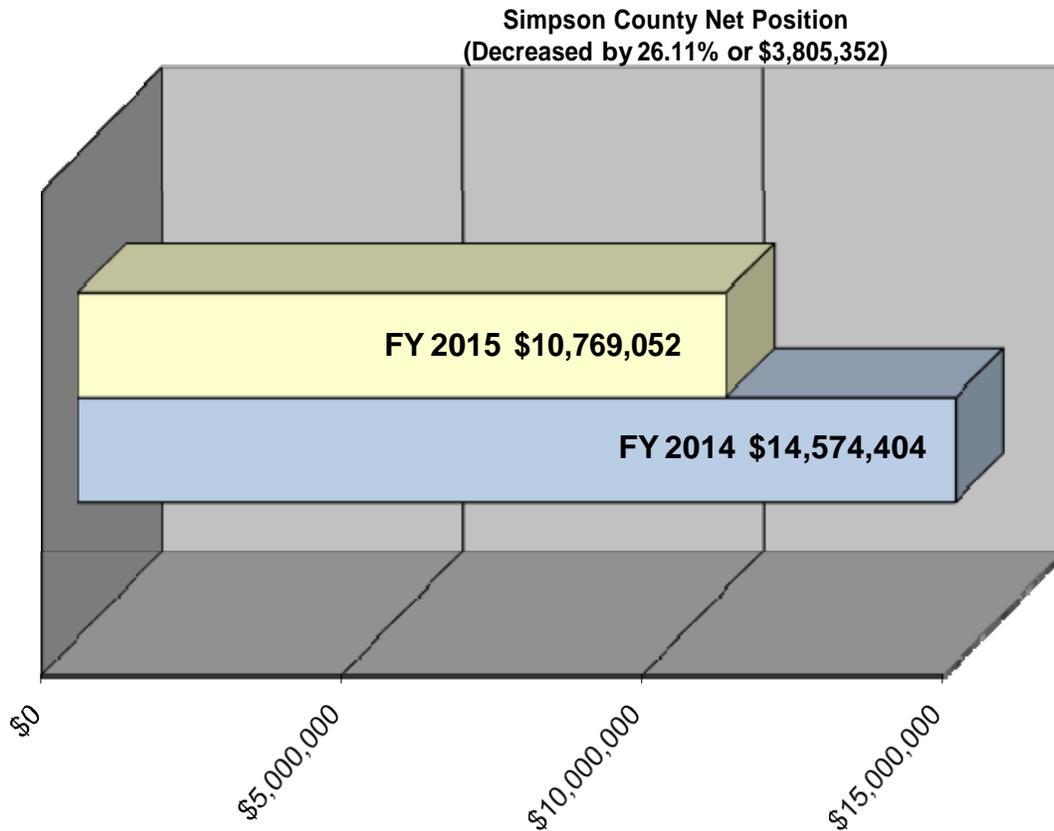
Fiduciary Funds - The schools' activity funds and District scholarship accounts (or agency funds) are the District's fiduciary funds. The fiduciary fund liabilities at yearend total \$468,704 (an increase of \$215,364 from the previous year).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the period ending June 30, 2014 and June 30, 2015

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	2014-2015
Current & Other Assets	\$ 4,241,227	\$ 5,078,932	\$ 580,531	\$ 633,665	\$ 4,821,758	\$ 5,712,597	18.48%
Capital Assets Total	31,432,555	30,458,266	191,673	211,560	31,624,228	30,669,826	-3.02%
Assets Deferred	35,673,782	35,537,198	772,204	845,225	36,445,986	36,382,423	-0.17%
Outflows Long Term	789,514	1,544,827	-	116,483	789,514	1,661,310	110.42%
Liabilities Other	20,125,024	23,409,864	-	900,311	20,125,024	24,310,175	20.80%
Liabilities	2,448,193	2,304,159	371	2,477	2,448,564	2,306,636	-5.80%
Total Liabilities	22,573,217	25,714,023	371	902,788	22,573,588	26,616,811	17.91%
Deferred Inflows	87,508	557,396	-	100,474	87,508	657,870	651.78%
Investment in Capital Assets (net of debt)	9,903,594	11,013,179	191,673	211,560	10,095,267	11,224,739	11.19%
Restricted	255,778	490,748	-	-	255,778	490,748	91.86%
Unrestricted	3,643,199	(693,321)	580,160	(253,114)	4,223,359	(946,435)	-122.41%
Total Net Position	\$ 13,802,571	\$ 10,810,606	\$ 771,833	\$ (41,554)	\$ 14,574,404	\$ 10,769,052	-26.11%

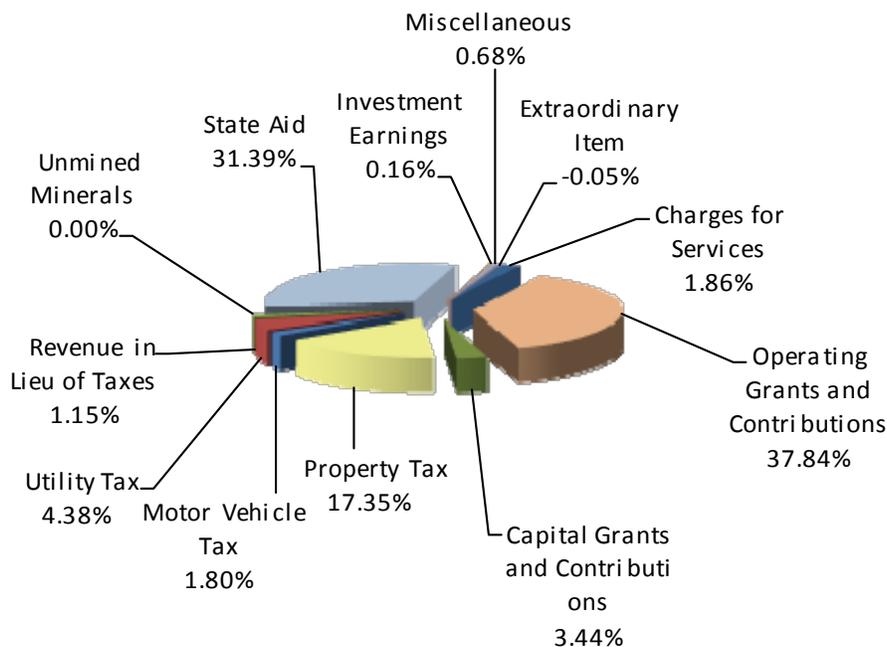
At year-end assets exceeded liabilities by \$10,769,052.



Changes in Net Position for June 30, 2014 and June 30, 2015

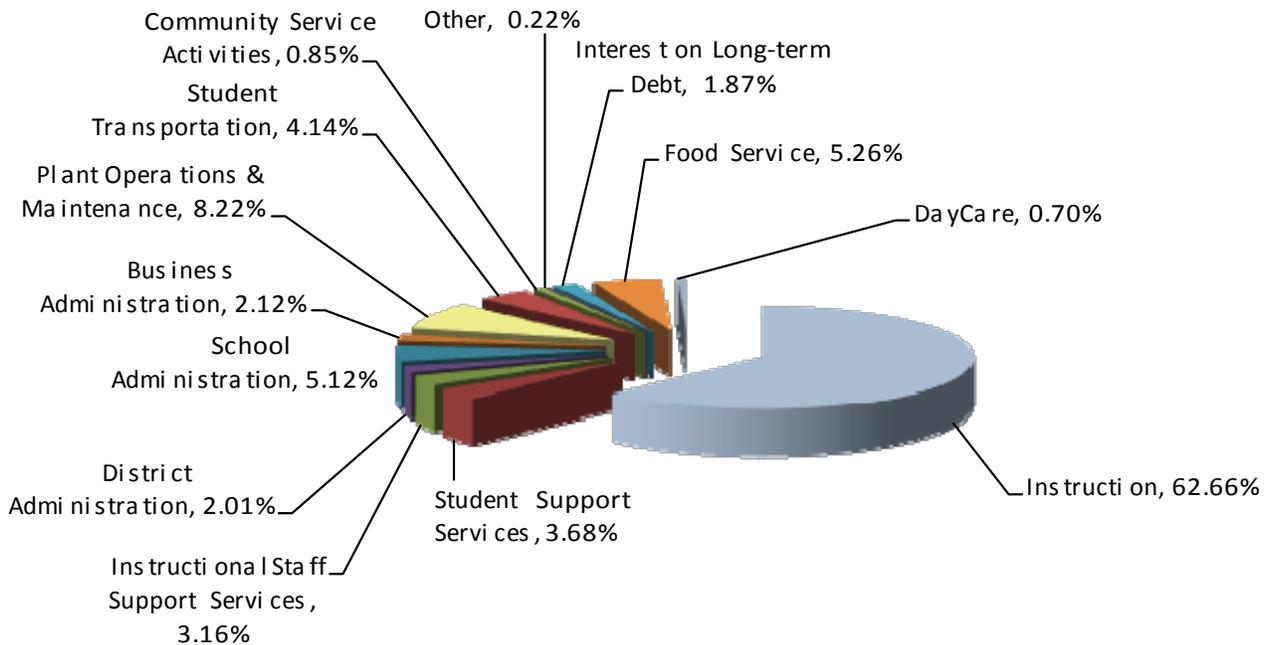
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	2014-15
Revenues							
Program Revenues							
Charges for Services	\$0	\$28,727	\$570,654	\$608,390	\$570,654	\$637,117	11.65%
Operating Grants and Contributions	7,953,143	11,529,448	1,403,267	1,455,756	9,356,410	12,985,204	38.78%
Capital Grants and Contributions	1,190,088	1,178,677	-	-	1,190,088	1,178,677	-0.96%
General Revenue							
Property Tax	5,482,834	5,951,993	-	-	5,482,834	5,951,993	8.56%
Motor Vehicle Tax	585,627	618,567	-	-	585,627	618,567	5.62%
Utility Tax	1,425,258	1,502,734	-	-	1,425,258	1,502,734	5.44%
Revenue in Lieu of Taxes	392,302	394,718	-	-	392,302	394,718	0.62%
Unmined Minerals	1,485	1,494	-	-	1,485	1,494	0.61%
State Aid	10,254,887	10,770,488	-	-	10,254,887	10,770,488	5.03%
Investment Earnings	91,438	53,073	4,522	3,301	95,960	56,374	-41.25%
Miscellaneous	90,236	234,233	-	-	90,236	234,233	159.58%
Extraordinary Item	84,308	(18,861)	-	-	84,308	(18,861)	-122.37%
Total Revenues	\$27,551,606	\$32,245,291	\$1,978,443	\$2,067,447	\$29,530,049	\$34,312,738	16.20%

Sources of Revenue



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	2014-15
Instruction	\$ 17,391,704	\$ 20,523,872	\$ -	\$ -	\$ 17,391,704	\$ 20,523,872	18.01%
Support Services:							
Student Support Services	1,117,127	1,206,787	-	-	1,117,127	1,206,787	8.03%
Instructional Staff Support Services	1,070,511	1,036,477	-	-	1,070,511	1,036,477	-3.18%
District Administration	147,446	658,006	-	-	147,446	658,006	346.27%
School Administration	1,535,477	1,675,931	-	-	1,535,477	1,675,931	9.15%
Business Administration	639,465	692,891	-	-	639,465	692,891	8.35%
Plant Operations & Maintenance	2,588,874	2,693,860	-	-	2,588,874	2,693,860	4.06%
Student Transportation	1,352,973	1,354,723	-	-	1,352,973	1,354,723	0.13%
Community Service Activities	277,619	279,173	-	-	277,619	279,173	0.56%
Other	89,769	70,659	-	-	89,769	70,659	-21.29%
Interest on Long-term Debt	731,168	611,873	-	-	731,168	611,873	-16.32%
Food Service	-	-	1,695,077	1,724,218	1,695,077	1,724,218	1.72%
DayCare	-	-	235,553	227,918	235,553	227,918	-3.24%
Total Expenses	\$ 26,942,133	\$ 30,804,252	\$ 1,930,630	\$ 1,952,136	\$ 28,872,763	\$ 32,756,388	13.45%

Expenses



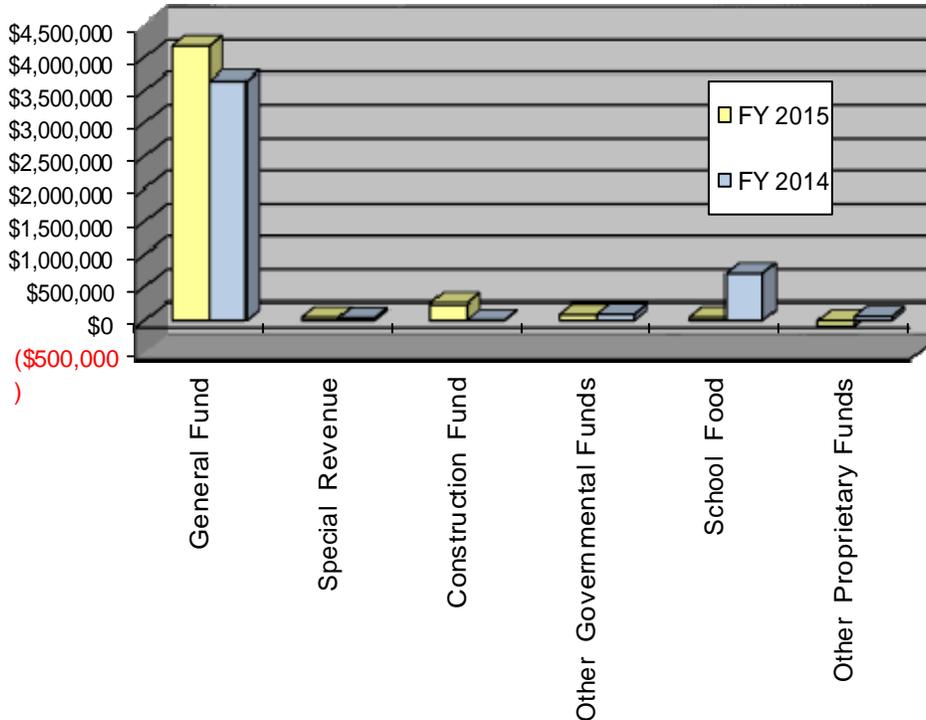
- The District's total revenues were \$34,312,738 and the total expenses were \$32,756,388. Revenues exceeded expenses by \$1,556,350.
- State aid revenues accounted for 31%, operating grants & contributions accounted for 38%, and local taxes accounted for 25% of total revenue.
- Instruction was the major expense category and accounted for 63% of the total.
- Food Service and Day Care revenues exceeded expenses by \$69,833 and \$45,478, respectively.

Financial Analysis of the District Funds

End-of-Year Fund Balances

	FY 2014	FY 2015	Amount of Change	% Change
General Fund	\$3,644,734	\$4,180,020	\$535,286	15%
Special Revenue	\$39,788	\$46,808	\$7,020	18%
Construction Fund	\$5,764	\$245,637	\$239,873	4162%
Other Governmental Funds	\$95,030	\$87,775	(\$7,255)	-8%
School Food	\$709,465	\$47,656	(\$661,809)	-93%
Other Proprietary Funds	\$62,368	(\$89,210)	(\$151,578)	-243%

Year-End Balances



- The General Fund's fund balance showed an increase in fund balance of \$535,286. This reflects an increase in federal (Medicaid revenues) and local revenues while expenditures stayed within budgeted amounts.
- The Special Revenue fund balance showed an increase of \$7,020. Projects in the Special Revenue fund are zeroed at year-end with the exception of the KETS Technology project(s).
- Construction fund and other governmental funds showed a net decrease in fund balance of \$232,618. This consists mainly of construction funds which are restricted funds to be used for construction and renovation projects outlined by the District Facility Plan. There were several projects and previously noted above under construction at year end.
- Other Proprietary Funds, Food Service and Day Care had a decrease in funds of \$661,809 and \$151,578, respectively. These substantial decreases are due to the implementation of GASB 68 which requires Districts to record net pension liability, deferred outflows for pension contributions, and deferred inflows for investment performance.

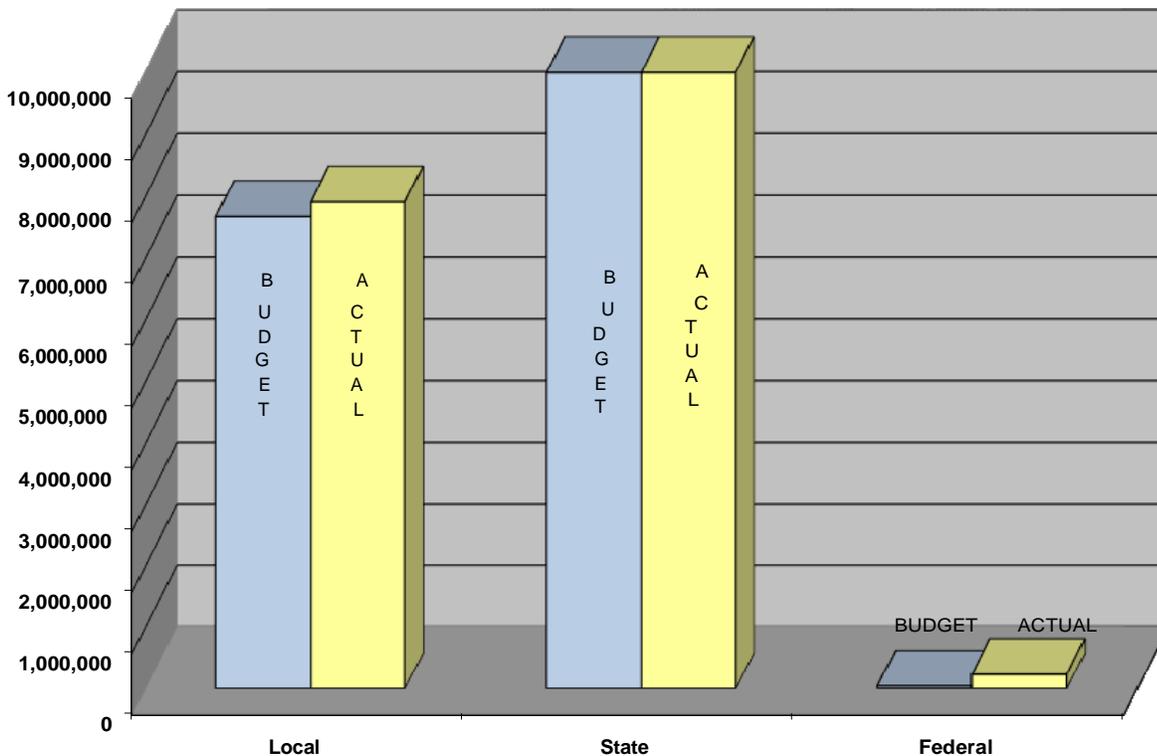
Comments on General Fund Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2015, net of interfund transfers, were \$18,905,775. This is \$699,406 more than was budgeted in the final working budget. The District budgeted conservatively in its local revenues and received \$233,575 (3%) more than budget. Local revenues account for 42% of general fund revenues. The District received \$277,383 (3%) more and \$188,448 more than budgeted amounts in state and federal (Medicaid) revenues, respectively.
- Expenditures were less than budgeted by \$2,228,415. The main reason is that contingencies of \$1,940,232 were budgeted and not intended to be spent.
- The General Fund's ending actual balance was \$535,286 more than the prior year.
- The Final Budget and the Original Budget differ primarily because the Original (Tentative) Budget is prepared by the end of May for the next school year and the Final Budget (prepared in September) contains Board approved amendments.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not expended at the end of the previous year.

	BUDGET	ACTUAL
Local	\$ 7,673,264	\$ 7,906,839
State	\$ 10,493,105	\$ 10,770,488
Federal	\$ 40,000	\$ 228,448
TOTAL	\$ 18,206,369	\$ 18,905,775
	DIFFERENCE	\$ 699,406

(does not include On-Behalf Revenues)

**Budget To Actual
REVENUES**
(does not include On-Behalf Revenues)



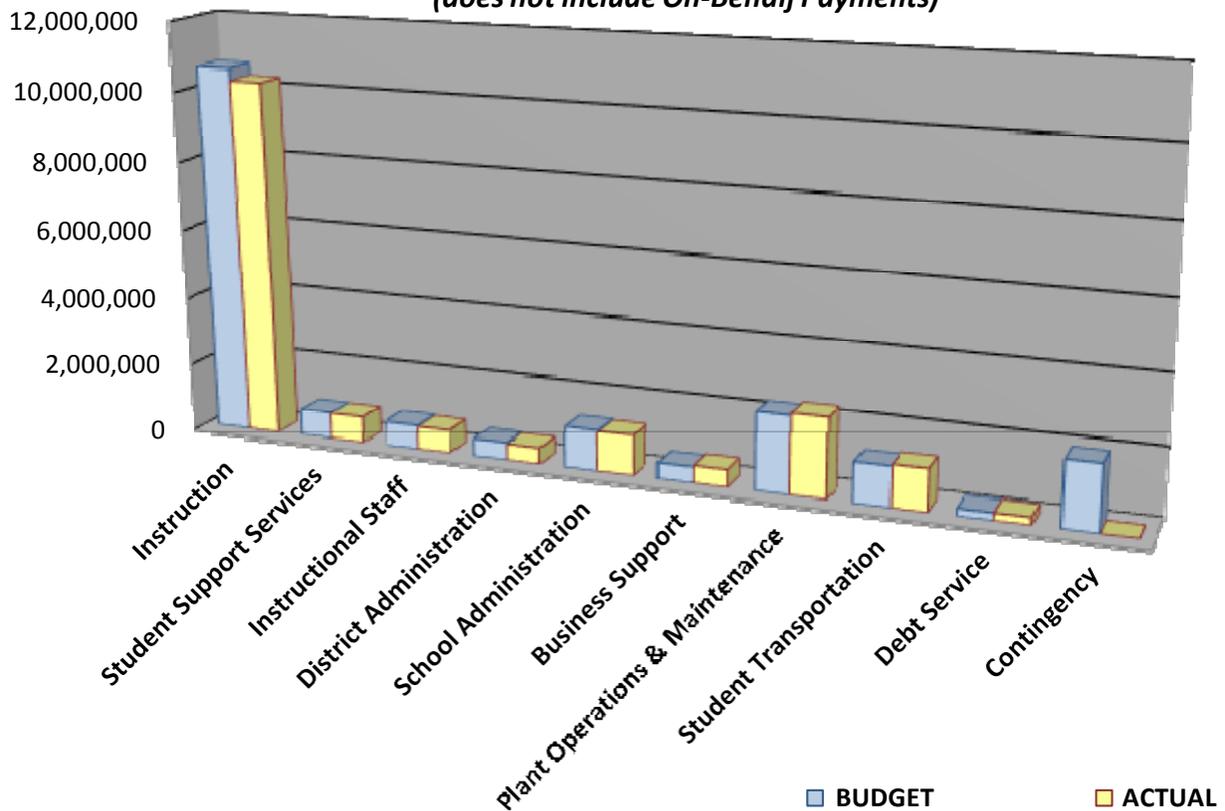
General Fund Budget Comparisons (continued)

Expenditures	BUDGET	ACTUAL
Instruction	\$ 10,619,787	\$ 10,287,118
Student Support Services	\$ 779,939	\$ 768,283
Instructional Staff	\$ 717,697	\$ 688,830
District Administration	\$ 523,122	\$ 481,687
School Administration	\$ 1,220,343	\$ 1,188,422
Business Support	\$ 475,634	\$ 515,407
Plant Operations & Maintenance	\$ 2,281,167	\$ 2,347,349
Student Transportation	\$ 1,187,415	\$ 1,239,825
Debt Service	\$ 221,435	\$ 221,435
Contingency	\$ 1,940,232	\$ -
	\$ 19,966,771	\$ 17,738,356
	DIFFERENCE	\$ (2,228,415)

(does not include On-Behalf Payments)

Budget to Actual Expenditures

(does not include On-Behalf Payments)



The following tables present a summary of revenue and expenditures (including on-behalf receipts/expenditures) of the General Fund for the fiscal year ended June 30, 2015.

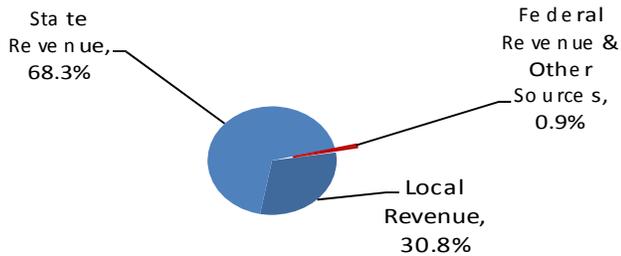
Revenues:

Local Revenue:		\$ 7,906,839
Taxes		
Property	\$	5,308,700
Motor Vehicle		618,567
Utilities		1,502,734
Revenue in Lieu of Taxes		394,718
Unmined Minerals		1,494
Earnings on Investments		44,614
Other Local Revenue		36,012
State Revenue		15,555,441
Federal Revenue & Other Sources		228,448
Total Revenues		<u>\$23,690,728</u>

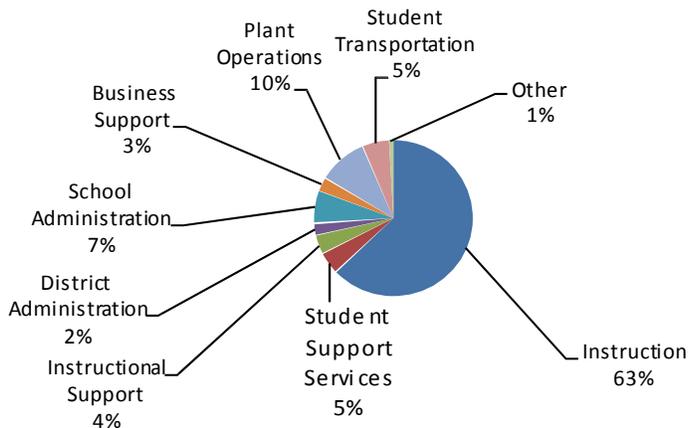
Expenditures:

Instruction		\$ 13,386,456
Support Services:		
Student Support Services		1,136,032
Instructional Support		988,341
District Administration		567,869
School Administration		1,694,044
Business Support		689,691
Plant Operations		2,474,857
Student Transportation		1,364,584
Other Non-instruction		221,435
Total Expenditures		<u>\$22,523,309</u>

GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES

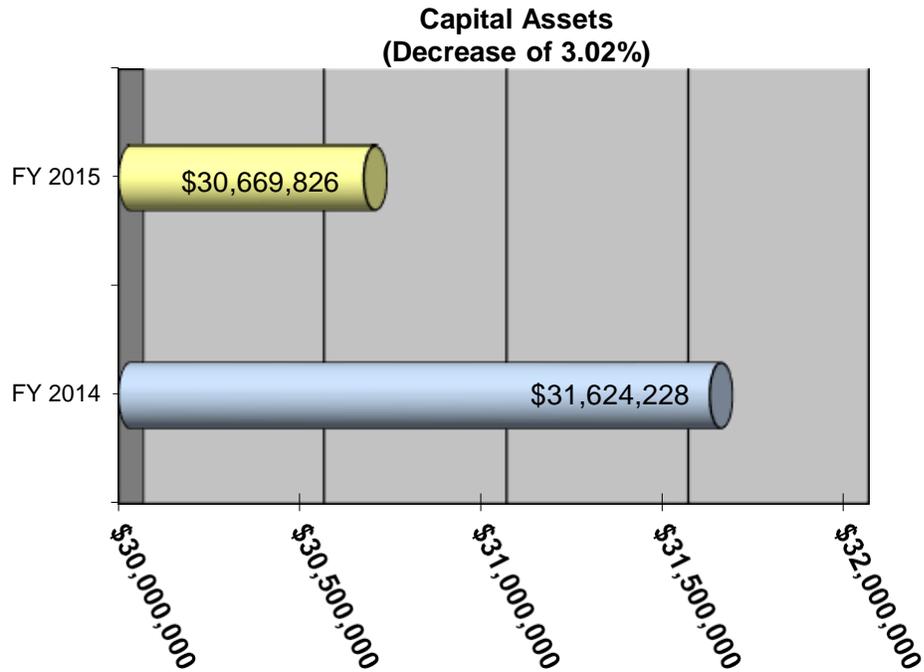


CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2015, the district had invested \$52,197,369 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The accumulated depreciation was a total of \$21,665,852. This district had \$138,309 in construction in progress throughout the district at June 30, 2015.

Capital Assets (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	2014-2015
Land & Land Improvements	\$ 599,519	\$ 504,749	\$ -	\$ -	\$ 599,519	\$ 504,749	-15.81%
Construction in Progress	\$ -	\$ 138,309	\$ -	\$ -	\$ -	\$ 138,309	0.00%
Buildings	\$ 28,938,445	\$ 27,882,734	\$ -	\$ -	\$ 28,938,445	\$ 27,882,734	-3.65%
Equipment and Furniture	\$ 853,943	\$ 885,372	\$ 191,673	\$ 211,560	\$ 1,045,616	\$ 1,096,932	4.91%
Vehicles	\$ 1,040,648	\$ 1,047,102	\$ -	\$ -	\$ 1,040,648	\$ 1,047,102	0.62%
Total Assets	\$ 31,432,555	\$ 30,458,266	\$ 191,673	\$ 211,560	\$ 31,624,228	\$ 30,669,826	-3.02%



Long-Term Debt

At year-end the district had \$20.4 million in general obligation bonds outstanding.

General Obligation Bonds:		Governmental Activites FY 2014	Governmental Activites FY 2015
Series 2005	Renovations for Simpson Elem, F-S Middle School	\$ 590,000	\$ -
Series 2006	Improvements at Franklin Elementary - Phase I	\$ 4,560,000	\$ 470,000
Series 2007	Improvements at Franklin Elementary - Phase II	\$ 310,000	\$ 295,000
Series 2007R	Partially Refinanced Series 2000 Bonds	\$ 1,470,000	\$ 1,245,000
Series 2012	Re-funding of 2005 Issue	\$ 7,250,000	\$ 7,135,000
Series 2013	FSHS Fine Arts and Remodel of Football Stadium	\$ 1,735,000	\$ 1,710,000
Series 2014	Re-funding of 2010 Issue	\$ 4,680,000	\$ 4,560,000
Series 2015	Re-funding of 2006 Issue	\$ -	\$ 4,100,000
KISTA		\$ 1,068,457	\$ 875,156
TOTAL		\$ 21,663,457	\$ 20,390,156

BUDGETARY IMPLICATIONS

A fundamental principle of finance is a balanced budget. It is important not to spend more than is received. Unknown circumstances sometimes arise that require expenses in a year that exceed revenues. It is extremely important that the district continue to budget very conservatively. The district receives approximate 42% of its general fund revenue each year through the state funding formula (SEEK). There have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 21% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the sixth-eighth months of the school year. This means the general fund's beginning fund balance must be used to absorb much of the first five months of expenditures in the school year. Provisions must always be made to have a significant fund beginning balance to start each year. The General Fund has an ending fund balance of \$4,180,020 being brought forward as a beginning balance for next year to continue to effectively maintain quality programs. Some of this surplus is already obligated due to the recurring increase cost of salaries.

By law the budget must have a minimum 2% contingency, but it is recommended that a higher contingency be maintained. The beginning fund balance at the beginning of the 2015 fiscal year is \$4,180,020 (comprised of nonspendable, restricted, committed, assigned and unassigned funds). Significant Board action that impacts the

finances include the approval of major roof and HVAC repairs/replacements and several district locations. The Board also approved an emergency cooling tower replacement at Lincoln Elementary and general fund matching dollars for state and federal grants. The district currently participates in over thirty federal and state grants. All federal funds received by Simpson County are restricted for specific purposes. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant upfront and then apply for reimbursement. At year-end, the District's General Fund was due \$358,119 from other funds. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements. In addition, decisions about allocation of funds held in reserve for annual expense must always consider the implication of recurring expense. Personnel expenses are a classic example of recurring expense. Also, additional contingency is required due to the age of the district's buildings where unanticipated major repairs could arise to maintain up-to-date facilities and a good learning environment for all students. Simpson County Schools has made a continuous effort to increase pay raises above the state minimum requirement to compete more with surrounding districts in attracting the best and talented educators. The district's policy of maintaining a strong reserve resulted in no cutbacks or layoffs as a result of reduced state funding.

DISTRICT CHALLENGES FOR THE FUTURE

The economy continues to be an area of concern for all types of organizations and individuals, including our school system. Through the work of Kentucky Governor Steve Beshear and the Kentucky General Assembly, K-12 education received a much needed boost in funding FY15 & 16. Though it fell short of replacing all of the funding that has been reduced over the past 7 years, it was a step in the right direction. The federal outlook is not as clear as there has been little progress on reauthorizing the Elementary and Secondary Education Act (most recently called NCLB). Though our Federal delegates staved off the sequestration cuts, there is still serious uncertainty to our Title 1 and IDEA programs that support intervention services for our most needy students. I applaud the vision and courage of the members of the Simpson County Board of Education members and the citizens of Simpson County for supporting the 4% tax rate! Though Simpson County Schools receives less revenue per pupil than most districts in Kentucky, our local efforts have improved our revenue standing within Kentucky. This is important as our students deserve the same opportunities and resources other kids receive. With this important investment in our youth, we can continue our march forward of providing our students in Simpson County with a world-class, high quality education that is second to none.

Our vision is to be the best school system in the state of Kentucky that empowers our students to graduate life-ready – academically and socially prepared for college and/or careers! To that end, our mission is simple – to develop each child to their fullest potential and prepare them for the next level of life! We are proud that our school system was rated as a Proficient District on the latest results of the state assessment and accountability system. This performance ranked Simpson County Schools among the upper echelon of all school districts in Kentucky. Franklin Simpson High School earned a Distinguished rating and has the highest college and career readiness rates in the state! Additionally, US News and World Reports named FSHS as one of the Best High Schools in America! Franklin Simpson Middle Schools achieved a Proficient rating as well! Though our elementary schools are rated as Needs Improvement, we are excited about changes being made to move them to Proficiency or above!

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

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

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

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

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

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

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

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

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

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

- We will continue our work with *Thoughtful Education and other high-yield strategies*, refining our efforts to design effect lessons and units of study around the district curriculum using research-based instructional strategies and engaging resources. We will use time during the work-day for job embedded staff development to work on this and other important initiatives for raising student achievement. One important initiative that ties together the curriculum, instruction and assessment practices around high levels of student engagement our *Designing Student Engagement* work with John Antonetti.

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

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

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

Due to the economic recession over the last 8 years, district funding has been and continues to be a serious issue facing our school system. Though our school system has consistently ranked in the bottom 5% to 26% of the state in total per pupil funding, we have operated our district efficiently and wisely which has allowed us to maintain a healthy budget. Consequently, we have been able to maintain most of our programs and services for students without making any major cuts. We have implemented serious "belt tightening" strategies to help us maintain critical programs for our students. Some key areas we must keep our focus on to maximize our funding are:

- ✓ **Improving student attendance** – we need students to be at school in order to teach them. At the same time, our funding mechanism is dependent on student attendance rates. We need our student to attend school every day possible. Good student attendance will improve learning results and our financial outlook. In recent years, we are achieving record-breaking attendance rates!
- ✓ **Reducing substitute costs** by improving staff attendance. Just like our students, we need our staff present every day possible to deliver on our mission while saving on the cost of providing a substitute.

- ✓ **Initiating a district-wide Energy Savings Program and Promotion** to encourage saving energy by turning off lights, computers, SMART boards and projectors when not in use... We need to instill an awareness and commitment to energy efficiency among every person in our school system!
- ✓ **Selling our surplus equipment** – we plan to scour the district for unused items and have a big sale/auction. We can raise revenues and remove clutter at the same time!

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

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

BASIC FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 4,265,553	\$ 558,266	\$ 4,823,819
Inventory		40,054	40,054
Prepaid expenses	649		649
Receivables:			
Accounts		1,110	1,110
Taxes-current	189,220		189,220
Taxes-delinquent	11,785		11,785
Other receivables	2,991		2,991
Intergovernmental-State	1,208		1,208
Intergovernmental-Indirect Federal	607,526	34,235	641,761
Total Current Assets	5,078,932	633,665	5,712,597
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	745,290		745,290
Depreciable capital assets, net of accumulated depreciation	29,712,976	211,560	29,924,536
Total Noncurrent Assets	30,458,266	211,560	30,669,826
Total Assets	35,537,198	845,225	36,382,423
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	984,260		984,260
CERS pension contributions	560,567	116,483	677,050
Total Deferred Outflows of Resources	1,544,827	116,483	1,661,310
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	156,651	2,477	159,128
Accrued payroll and related expenses	159,455		159,455
Unearned revenue	163,258		163,258
Bond obligations	1,375,000		1,375,000
Capital lease obligations	166,344		166,344
Compensated absences	128,849		128,849
KSBIT	14,676		14,676
Interest payable	176,224		176,224
Total Current Liabilities	2,340,457	2,477	2,342,934
<u>Noncurrent Liabilities</u>			
Bond obligations	18,105,321		18,105,321
Capital lease obligations	708,812		708,812
KSBIT	73,380		73,380
Net pension liability - CERS	4,332,689	900,311	5,233,000
Compensated absences	189,662		189,662
Total Noncurrent Liabilities	23,409,864	900,311	24,310,175
Total Liabilities	25,750,321	902,788	26,653,109
<u>Deferred Inflows of Resources</u>			
Deferred gain on bonds	73,870		73,870
CERS net investment difference	483,526	100,474	584,000
Total Deferred Inflows of Resources	557,396	100,474	657,870
<u>Net Position</u>			
Net investment in capital assets	11,013,179	211,560	11,224,739
Restricted	490,748		490,748
Unrestricted	(729,619)	(253,114)	(982,733)
Total Net Position	\$ 10,774,308	\$ (41,554)	\$ 10,732,754

SIMPSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 20,523,872	\$ 28,727	\$ 9,408,700	\$ -	\$ (11,086,445)	\$ -	\$ (11,086,445)
Support services:							
Student	1,206,787		440,428		(766,359)		(766,359)
Instruction staff	1,036,477		347,231		(689,246)		(689,246)
District administrative	658,006		86,183		(571,823)		(571,823)
School administrative	1,675,931		512,617		(1,163,314)		(1,163,314)
Business	692,891		142,105		(550,786)		(550,786)
Plant operation and maintenance	2,693,860		154,433		(2,539,427)		(2,539,427)
Student transportation	1,354,723		148,886		(1,205,837)		(1,205,837)
Community service activities	279,173		288,865		9,692		9,692
Facility acquisition and construction				641,503	641,503		641,503
Other	70,659				(70,659)		(70,659)
Interest on long-term debt	611,873			537,174	(74,699)		(74,699)
Total Governmental Activities	30,804,252	28,727	11,529,448	1,178,677	(18,067,400)	-	(18,067,400)
Business-Type Activities:							
Food service	1,724,218	373,739	1,417,011			66,532	66,532
Daycare	227,918	234,651	38,745			45,478	45,478
Total Business-Type Activities	1,952,136	608,390	1,455,756	-	-	112,010	112,010
Total Primary Government	\$ 32,756,388	\$ 637,117	\$ 12,985,204	\$ 1,178,677	(18,067,400)	112,010	(17,955,390)
			General Revenues:				
			Taxes:				
			Property taxes		5,951,993		5,951,993
			Motor vehicle taxes		618,567		618,567
			Utility taxes		1,502,734		1,502,734
			Revenue in lieu of taxes		394,718		394,718
			Unmined minerals		1,494		1,494
			Investment earnings		53,073	3,301	56,374
			State and formula grants		10,770,488		10,770,488
			Miscellaneous		234,233		234,233
			<i>Extraordinary item - KSBIT</i>		(18,861)		(18,861)
			Total general revenues and extraordinary item		19,508,439	3,301	19,511,740
			Change in net position		1,441,039	115,311	1,556,350
			Net position - beginning		13,802,571	771,833	14,574,404
			Restatement for adoption of GASB 68		(4,469,302)	(928,698)	(5,398,000)
			Net position - beginning, as restated		9,333,269	(156,865)	9,176,404
			Net position - ending		\$ 10,774,308	\$ (41,554)	\$ 10,732,754

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

FUND FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 3,932,141	\$ -	\$ 333,412	\$ 4,265,553
Receivables:				
Taxes - current	189,220			189,220
Taxes - delinquent	11,785			11,785
Other receivables	1,530	1,461		2,991
Intergovernmental - State	1,048	160		1,208
Intergovernmental - Indirect Federal		607,526		607,526
Due from other funds	358,119			358,119
Prepays	649			649
Total Assets	\$ 4,494,492	\$ 609,147	\$ 333,412	\$ 5,437,051
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 66,961	\$ 40,962	\$ 48,728	\$ 156,651
Due to other funds		358,119		358,119
Accrued payroll and related expenses	159,455			159,455
KSBIT	88,056			88,056
Unearned revenue		163,258		163,258
Total Liabilities	314,472	562,339	48,728	925,539
Fund Balances				
Nonspendable	649			649
Restricted	159,256	46,808	284,684	490,748
Committed	1,181,304			1,181,304
Assigned	284,194			284,194
Unassigned	2,554,617			2,554,617
Total Fund Balances	4,180,020	46,808	284,684	4,511,512
Total Liabilities and Fund Balances	\$ 4,494,492	\$ 609,147	\$ 333,412	\$ 5,437,051

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

SIMPSON COUNTY SCHOOL DISTRICT

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

June 30, 2015

Total fund balance per fund financial statements	\$ 4,511,512
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	30,458,266
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	984,260
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	560,567
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized gains on refundings are reported on the statement of net position as deferred inflows of resources.	(73,870)
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(483,526)
Bonds payable (net of discounts/premiums)	(19,480,321)
Capital lease obligations	(875,156)
Interest payable	(176,224)
Net pension liability - CERS	(4,332,689)
Compensated absences	(318,511)
Net position for governmental activities	<u>\$ 10,774,308</u>

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 5,308,700	\$ -	\$ 643,293	\$ 5,951,993
Motor vehicle	618,567			618,567
Utilities	1,502,734			1,502,734
Revenue in lieu of taxes	394,718			394,718
Unmined minerals	1,494			1,494
Tuition and fees		7,209		7,209
Earnings on investments	44,614	302	8,157	53,073
Other local revenues	36,012	83,088	59,056	178,156
Intergovernmental - State	15,555,441	1,478,218	1,178,677	18,212,336
Intergovernmental - Indirect Federal	228,448	3,072,367		3,300,815
Total Revenues	23,690,728	4,641,184	1,889,183	30,221,095
Expenditures:				
Instruction	13,386,456	4,274,931	72,061	17,733,448
Support services:				
Student	1,136,032	72,679		1,208,711
Instruction staff	988,341	47,720		1,036,061
District administrative	567,869			567,869
School administrative	1,694,044	6,995		1,701,039
Business	689,691	28,353		718,044
Plant operation and maintenance	2,474,857	26,925		2,501,782
Student transportation	1,364,584	24,127	275	1,388,986
Community service activities		288,865		288,865
Other non-instruction	221,435			221,435
Facilities acquisition and construction			138,309	138,309
Bond issuance costs			42,525	42,525
Debt service:				
Principal			1,310,000	1,310,000
Interest			571,495	571,495
Total Expenditures	22,523,309	4,770,595	2,134,665	29,428,569
Excess (Deficit) of Revenues over Expenditures	1,167,419	(129,411)	(245,482)	792,526
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	5,680			5,680
Bond proceeds from refunding bonds			4,100,000	4,100,000
Bond premium			32,697	32,697
Payment to refunded bond escrow agent			(4,087,298)	(4,087,298)
Transfers in	110,000	136,431	1,638,832	1,885,263
Transfers out	(630,405)		(1,254,859)	(1,885,264)
Total Other Financing Sources (Uses)	(514,725)	136,431	429,372	51,078
Extraordinary Item - KSBIT	(117,408)	-	-	(117,408)
Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses	535,286	7,020	183,890	726,196
Fund Balance, July 1, 2014	3,644,734	39,788	100,794	3,785,316
Fund Balance, June 30, 2015	\$ 4,180,020	\$ 46,808	\$ 284,684	\$ 4,511,512

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

SIMPSON COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ 726,196
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(962,149)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(45,399)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,503,301
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(12,140)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	213,654
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	136,269
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(118,693)</u>
Change in net position of governmental activities	<u>\$ 1,441,039</u>

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Food Service Fund	Daycare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 459,761	\$ 98,505	\$ 558,266
Accounts receivable	1,110		1,110
Intergovernmental - Indirect Federal	34,235		34,235
Inventory	40,054		40,054
Total Current Assets	535,160	98,505	633,665
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	211,560		211,560
Total Noncurrent Assets	211,560	-	211,560
Total Assets	746,720	98,505	845,225
Deferred Outflows of Resources			
CERS pension contributions	91,767	24,716	116,483
Total Deferred Outflows of Resources	91,767	24,716	116,483
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	2,398	79	2,477
Total Current Liabilities	2,398	79	2,477
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	709,278	191,033	900,311
Total Noncurrent Liabilities	709,278	191,033	900,311
Total Liabilities	711,676	191,112	902,788
Deferred Inflows of Resources			
CERS net investment difference	79,155	21,319	100,474
Total Deferred Inflows of Resources	79,155	21,319	100,474
<u>Net Position</u>			
Net investment in capital assets	211,560	-	211,560
Unrestricted	(163,904)	(89,210)	(253,114)
Total Net Position	\$ 47,656	\$ (89,210)	\$ (41,554)

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 328,337	\$ -	\$ 328,337
Other operating revenues	45,402		45,402
Tuition and fees		234,651	234,651
Total Operating Revenues	373,739	234,651	608,390
Operating Expenses:			
Salaries and wages	752,993	198,705	951,698
Materials and supplies	803,293	21,563	824,856
Depreciation	28,336		28,336
Other operating expenses	139,596	7,650	147,246
Total Operating Expenses	1,724,218	227,918	1,952,136
Operating loss	(1,350,479)	6,733	(1,343,746)
Non-Operating Revenues (Expenses):			
Federal grants	1,206,537		1,206,537
Donated commodities	82,645		82,645
State on-behalf payments	112,399	30,190	142,589
State grants	15,430	8,555	23,985
Interest income	3,301		3,301
Total Non-Operating Revenues (Expenses)	1,420,312	38,745	1,459,057
Changes in net position	69,833	45,478	115,311
Net Position, July 1, 2014, as previously reported	709,465	62,368	771,833
Restatement for adoption of GASB 68	(731,642)	(197,056)	(928,698)
Net Position, July 1, 2014, as restated	(22,177)	(134,688)	(156,865)
Net Position June 30, 2015	\$ 47,656	\$ (89,210)	\$ (41,554)

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 328,337	\$ -	328,337
Other activities	46,679	-	46,679
Tuition and fees		234,651	234,651
Cash paid to/for:			
Employees	675,570	177,935	853,505
Supplies	718,529	21,484	740,013
Other activities	139,596	7,650	147,246
Net Cash Provided (Used) by Operating Activities	(1,158,679)	27,582	(1,131,097)
Cash flows from Non-Capital Financing Activities			
Federal grants	1,217,227	-	1,217,227
State grants	15,430	8,555	23,985
Net Cash Provided by Non-Capital Financing Activities	1,232,657	8,555	1,241,212
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(48,223)	-	(48,223)
Net Cash Used by Capital and Related Financing Activities	(48,223)	-	(48,223)
Cash Flows from Investing Activities			
Receipt of interest income	3,301	-	3,301
Net decrease in cash and cash equivalents	29,056	36,137	65,193
Balances, beginning of year	430,705	62,368	493,073
Balances, end of year	\$ 459,761	\$ 98,505	\$ 558,266
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,350,479)	\$ 6,733	\$ (1,343,746)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	28,336	-	28,336
State on-behalf payments	112,399	30,190	142,589
Donated commodities	82,645	-	82,645
GASB 68 pension expense	(34,976)	(9,420)	(44,396)
Change in assets and liabilities:			
Accounts receivable	1,277	-	1,277
Inventory	92	-	92
Accounts payable	2,027	79	2,106
Net cash provided (used) by operating activities	\$ (1,158,679)	\$ 27,582	\$ (1,131,097)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 82,645	\$ -	\$ 82,645
State on-behalf payments	\$ 112,399	\$ 30,190	\$ 142,589
CERS pension	\$ 56,791	\$ 15,296	\$ 72,087

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

SIMPSON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	Agency Fund - School Activity	Agency Fund - Scholarship	Total
Assets			
Cash and cash equivalents	\$ 125,322	\$ 343,382	468,704
Receivables			-
	<u>125,322</u>	<u>343,382</u>	<u>468,704</u>
Total Assets	<u>\$ 125,322</u>	<u>\$ 343,382</u>	<u>\$ 468,704</u>
Liabilities			
Accounts payable	\$ 2,253	\$ -	\$ 2,253
Due to student groups	123,069		123,069
Due to recipients		343,382	343,382
	<u>125,322</u>	<u>343,382</u>	<u>468,704</u>
Total Liabilities	<u>\$ 125,322</u>	<u>\$ 343,382</u>	<u>\$ 468,704</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Simpson County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Simpson County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

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

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

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

Government-wide Financial Statements

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Proprietary Funds

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

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Fiduciary Funds

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

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

BASIS OF ACCOUNTING

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

Modified Accrual

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 20154

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Accrual

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

Revenue Recognition

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

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

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

C. BUDGETARY POLICIES

Budgetary Process

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

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

D. ENCUMBRANCES

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

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. PREPAID ITEMS

Payments made that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. CAPITAL ASSETS

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

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

I. LONG-TERM DEBT

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

J. COMPENSATED ABSENCES

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. ACCOUNTING ESTIMATES

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

L. PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System (KTRS) and County Employees Retirement System (CERS) and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. 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.

M. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

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

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

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities, the food service fund and the daycare fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 2 – PROPERTY TAXES

Property Taxes

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property. The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.506 per \$100 valuation for real property, \$.506 per \$100 valuation for business personal property and \$.546 per \$100 valuation for motor vehicles. The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$5,670,319 of the District's bank balance of \$5,920,319 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 63,223
General	Special Revenue	Grants	73,208
General	Nonmajor Governmental	Construction	306,074
General	Nonmajor Governmental	Debt Service	187,900
Nonmajor Governmental	General	COFT	93,000
Nonmajor Governmental	Nonmajor Governmental	Construction	113,125
Nonmajor Governmental	Nonmajor Governmental	Debt Service	1,144,858
Nonmajor Governmental	General	BFFT	17,000

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

Also, at June 30, 2015, the Special Revenue Fund owed the General Fund \$358,119 for a reimbursement of expenditures paid by the General Fund.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 606,981	\$ -	\$ -	\$ 606,981
Construction in progress	-	138,309	-	138,309
Total Capital Assets Not Being Depreciated	606,981	138,309	-	745,290
Capital Assets Being Depreciated:				
Land improvements	1,540,447	-	-	1,540,447
Buildings and improvements	42,722,296	-	-	42,722,296
Technology equipment	2,130,789	325,139	(87,123)	2,368,805
Vehicles	2,575,617	195,856	-	2,771,473
General equipment	1,543,628	36,833	(34,379)	1,546,082
Total Capital Assets Being Depreciated at Historical Cost	50,512,777	557,828	(121,502)	50,949,103
Less Accumulated Depreciation For:				
Land improvements	1,547,909	94,770	-	1,642,679
Buildings and improvements	13,783,851	1,055,711	-	14,839,562
Technology equipment	1,586,016	256,307	(79,088)	1,763,235
Vehicles	1,534,969	189,402	-	1,724,371
General equipment	1,234,458	62,096	(30,274)	1,266,280
Total accumulated depreciation	19,687,203	1,658,286	(109,362)	21,236,127
Total Other Capital Assets, net	30,825,574	(1,100,458)	(12,140)	29,712,976
Governmental Activities Capital Assets - Net	\$ 31,432,555	\$ (962,149)	\$ (12,140)	\$ 30,458,266
Business-Type Activities				
Capital Assets Being Depreciated:				
Technology equipment	\$ 58,706	\$ 3,168	\$ (1,199)	\$ 60,675
Food service equipment	538,066	45,055	(2,511)	580,610
Totals at historical cost	596,772	48,223	(3,710)	641,285
Less Accumulated Depreciation For:				
Technology equipment	56,853	1,352	(1,199)	57,006
Food service equipment	348,246	26,984	(2,511)	372,719
Total accumulated depreciation	405,099	28,336	(3,710)	429,725
Business-Type Activities Capital Assets - Net	\$ 191,673	\$ 19,887	\$ -	\$ 211,560

Depreciation was charged to governmental functions as follows:

Instruction	\$ 1,167,700
Student support	103
Instructional staff	2,017
District administration	20,472
School administration	3,359
Business support	2,619
Plant	271,171
Transportation	190,845
	<u>\$ 1,658,286</u>

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 6 – RISK MANAGEMENT

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

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

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 20,595,000	\$ 4,100,000	\$ 5,180,000	\$ 19,515,000	\$ 1,375,000
Capital leases	1,068,457	-	193,301	875,156	166,344
	21,663,457	4,100,000	5,373,301	20,390,156	1,541,344
Less Discounts and Premiums	(134,496)	32,697	67,120	(34,679)	-
Total Bonds and Leases Payable	21,528,961	4,132,697	5,440,421	20,355,477	1,541,344
Other Liabilities:					
KSBIT	136,269		48,213	88,056	14,676
Net pension liability - CERS	-	4,332,689	-	4,332,689	-
Compensated absences	240,196	162,200	46,390	356,006	128,849
Total Other Liabilities	376,465	4,494,889	94,603	4,776,751	143,525
Total Governmental Activities Long-Term Liabilities	<u>\$ 21,905,426</u>	<u>\$ 8,627,586</u>	<u>\$ 5,535,024</u>	<u>\$ 25,132,228</u>	<u>\$ 1,684,869</u>
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Business-Type Activities:					
Net pension liability - CERS	<u>\$ -</u>	<u>\$ 900,311</u>	<u>\$ -</u>	<u>\$ 900,311</u>	<u>\$ -</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the general, capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences. The general fund, food service fund and daycare fund are primarily responsible for paying the net pension liability.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>
2006	\$ 5,880,000	4.10%
2007	2,150,000	3.50% - 3.80%
2007R	400,000	3.25% - 4.00%
2012R	7,450,000	1.00% - 2.25%
2013	1,735,000	1.60% - 4.00%
2014R	4,680,000	1.00% - 3.45%
2015R	4,100,000	2.00% - 2.25%

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

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

On February 1, 2015, the District issued \$4,100,000 in Refunding Revenue Bonds with an average interest rate of 2.03 percent to partially advance refund \$3,870,000 of outstanding 206 Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$4,087,298 (after \$42,525 in cost of issuance, \$32,697 in bond premium and \$2,874 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$277,480. This difference, reported in the accompanying government-wide financial statements as deferred outflows of resources, is being charged to operations through the year 2026 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$366,276 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$313,818

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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

Year	Principal	Interest	Participation	District's Portion
2016	\$ 1,375,000	\$ 466,921	\$ 546,903	\$ 1,295,018
2017	1,395,000	438,050	540,810	1,292,240
2018	1,425,000	408,706	540,076	1,293,630
2019	1,455,000	380,986	539,320	1,296,666
2020	1,490,000	350,366	538,540	1,301,826
2021-2025	6,305,000	1,325,635	2,208,934	5,421,701
2026-2030	4,790,000	562,054	1,161,212	4,190,842
2031-2034	1,280,000	65,509	177,267	1,168,242
	<u>\$ 19,515,000</u>	<u>\$ 3,998,227</u>	<u>\$ 6,253,062</u>	<u>\$ 17,260,165</u>

Capital Lease Liabilities

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

Classes of Property

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

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

2016	189,226
2017	169,320
2018	150,224
2019	131,682
2020	113,073
2021-2024	<u>204,796</u>
Total minimum lease payments	958,321
Less: Amount representing interest	<u>(83,165)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 875,156</u>

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS

Plan Descriptions

The Simpson County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

KTRS

Benefits Provided

For Members Before July 1, 2008:

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

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

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

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

For Members On or After July 1, 2008:

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

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

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

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

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2015.

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

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$78,836,294.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,863,139 and revenue of \$3,869,139 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

Actuarial Assumptions

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

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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 set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$632,654.

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 of \$5,233,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.161299 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$419,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$677,050 and (2) Deferred inflows of resources for differences between expected and actual experience of \$584,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$677,050 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION 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:

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

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

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. 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 lognormal 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	6,886,472	5,233,000	3,772,396

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

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

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there were \$649 of nonspendable fund balances related to prepaid items.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$159,256 restricted for sick leave in the General Fund, \$46,808 restricted for grants in the special revenue fund, \$41,981 restricted for future school activities in the District Activity Fund, \$5,759 restricted for capital projects in the Capital Outlay Fund, \$25,923 restricted for capital projects in the FSPK Fund, \$198,564 restricted for capital projects in the Construction Fund and \$12,457 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2015: \$290,843 for future construction and \$890,461 for a minimum fund balance policy.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. There were no amounts assigned related to encumbrances at June 30, 2015. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The amount assigned in the general fund was \$284,194 (\$100,000 for unemployment, \$126,772 for future CTE, \$18,516 for site-based carryforward and \$38,906 for other operational items.

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

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

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 20, 2015, the Board had committed \$890,461 of funds to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

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

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$220,577. In August 2014, the District received an invoice for \$117,408 which is the amount expected to satisfy the claim. The District paid \$29,352 during the year and will make annual payments of \$14,676 over the next six years totaling \$88,056. This amount is recorded as a liability in the Balance Sheet. The item is an extraordinary item because the item is unusual in nature and infrequent in occurrence.

NOTE 11 – DEFICIT FUND BALANCE/NET POSITION

The Daycare Fund had a deficit net position at June 30, 2015 in the amount of \$89,210. The deficit net position is a result of the recording of the net pension liability for CERS as part of the adoption of GASB Statement 68.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

District Activity Fund	\$ 13,280
Debt Service Fund	567

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	\$ 2,934,014
Life	5,304
Admin	36,381
HRA	167,198
KTRS	1,857,802
Technology	60,532
Debt Service	537,174
Less: Federal Reimbursement	<u>(133,689)</u>
Total on-behalf	<u>\$ 5,464,716</u>

Recorded as follows:

General Fund	\$ 4,784,953
Food Service Fund	112,399
Daycare Fund	30,190
Debt Service Fund	<u>537,174</u>
	<u>\$ 5,464,716</u>

NOTE 13 – OPERATING LEASES

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

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

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

GENERAL FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 4,894,501	\$ 5,179,733	\$ 5,308,700
Motor vehicle	589,074	585,843	618,567
Utilities	1,480,000	1,480,000	1,502,734
Revenue in lieu of taxes	340,000	350,000	394,718
Unmined minerals	1,000	1,000	1,494
Earnings on investments	50,000	50,000	44,614
Other local revenues	12,500	26,688	36,012
Intergovernmental - State	10,485,880	10,493,105	15,555,441
Intergovernmental - Indirect Federal	40,000	40,000	228,448
Total Revenues	<u>17,892,955</u>	<u>18,206,369</u>	<u>23,690,728</u>
Expenditures:			
Instruction	10,530,187	10,619,787	13,386,456
Support services:			
Student	845,883	779,939	1,136,032
Instruction staff	706,042	717,697	988,341
District administrative	484,762	523,122	567,869
School administrative	1,195,679	1,220,343	1,694,044
Business	472,499	475,634	689,691
Plant operation and maintenance	2,238,594	2,281,167	2,474,857
Student transportation	1,085,689	1,187,415	1,364,584
Other non-instruction	1,682,350	2,161,667	221,435
Total Expenditures	<u>19,241,685</u>	<u>19,966,771</u>	<u>22,523,309</u>
Excess (Deficit) of Revenues over Expenditures	(1,348,730)	(1,760,402)	1,167,419
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			5,680
Transfers in		110,000	110,000
Transfers out	(301,270)	(630,405)	(630,405)
Total Other Financing Sources (Uses)	<u>(301,270)</u>	<u>(520,405)</u>	<u>(514,725)</u>
Extraordinary Item - KSBIT			<u>(117,408)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,650,000)	(2,280,807)	535,286
Fund Balance, July 1, 2014	<u>1,650,000</u>	<u>2,280,807</u>	<u>3,644,734</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,180,020</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$4,784,953.

SIMPSON COUNTY SCHOOL DISTRICT

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

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	Original	Final	Actual
Revenues:			
Earnings on investments	\$ -	\$ -	\$ 302
Tuition and fees	46,838	17,294	7,209
Other local revenues	35,118	113,473	83,088
Intergovernmental - State	1,100,806	1,528,962	1,478,218
Intergovernmental - Indirect Federal	2,149,973	3,100,564	3,072,367
Total Revenues	3,332,735	4,760,293	4,641,184
Expenditures:			
Instruction	2,872,349	4,318,221	4,274,931
Support services:			
Student	44,222	77,947	72,679
Instruction staff	50,297	59,545	47,720
School administrative	22,150	22,150	6,995
Business	30,075	30,075	28,353
Plant operation and maintenance	12,810	13,819	26,925
Student transportation	28,643	26,936	24,127
Community service activities	272,189	348,031	288,865
Total Expenditures	3,332,735	4,896,724	4,770,595
Excess (Deficit) of Revenues over Expenditures	-	(136,431)	(129,411)
Other Financing Sources (Uses):			
Transfers in	-	136,431	136,431
Total Other Financing Sources (Uses)	-	136,431	136,431
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	7,020
Fund Balance, July 1, 2014	-	-	39,788
Fund Balance, June 30, 2015	\$ -	\$ -	\$ 46,808

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2015

Last 10 Years *

	<u>2015</u>
Proportion of the net pension liability	0.161299%
Proportionate share of the net pension liability	\$ 5,233,000
Covered - employee payroll	\$ 3,778,484
Proportionate share of the net pension liability as percentage of covered payroll	138.5%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS
 June 30, 2015
 Last 10 Years *

	<u>2015</u>
Contractually require contribution (actuarially determined)	\$ 677,050
Contribution in relation to the actuarially determined contribution	<u>677,050</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 3,831,636
Contributions as a percentage of covered employee payroll	17.67%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

SIMPSON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 43,636	\$ 5,759	\$ 25,923	\$ 245,637	\$ 12,457	\$ 333,412
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,923</u>	<u>\$ 245,637</u>	<u>\$ 12,457</u>	<u>\$ 333,412</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ 1,655	\$ -	\$ -	\$ 47,073	\$ -	\$ 48,728
Total Liabilities	<u>1,655</u>	<u>-</u>	<u>-</u>	<u>47,073</u>	<u>-</u>	<u>48,728</u>
Fund Balances						
Restricted	41,981	5,759	25,923	198,564	12,457	284,684
Total Fund Balances	<u>41,981</u>	<u>5,759</u>	<u>25,923</u>	<u>198,564</u>	<u>12,457</u>	<u>284,684</u>
Total Liabilities and Fund Balances	<u>\$ 43,636</u>	<u>\$ 5,759</u>	<u>\$ 25,923</u>	<u>\$ 245,637</u>	<u>\$ 12,457</u>	<u>\$ 333,412</u>

SIMPSON COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ 643,293	\$ -	\$ -	\$ 643,293
Other local revenue	59,056					59,056
Earnings on investments				35	8,122	8,157
Intergovernmental - State		265,500	351,003	25,000	537,174	1,178,677
Total Revenues	59,056	265,500	994,296	25,035	545,296	1,889,183
Expenditures						
Instruction	72,061					72,061
Student transportation	275					275
Facilities acquisition and construction				138,309		138,309
Bond issue costs					42,525	42,525
Debt service:						
Principal					1,310,000	1,310,000
Interest					571,495	571,495
Total Expenditures	72,336	-	-	138,309	1,924,020	2,134,665
Excess (Deficit) of Revenues over Expenditures	(13,280)	265,500	994,296	(113,274)	(1,378,724)	(245,482)
Other Financing Sources (Uses)						
Bond proceeds from refunding bonds					4,100,000	4,100,000
Bond premium					32,697	32,697
Payment to refunded bond escrow agent					(4,087,298)	(4,087,298)
Transfers in				306,074	1,332,758	1,638,832
Transfers out		(260,662)	(994,197)			(1,254,859)
Total Other Financing Sources (Uses)	-	(260,662)	(994,197)	306,074	1,378,157	429,372
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(13,280)	4,838	99	192,800	(567)	183,890
Fund balance, July 1, 2014	55,261	921	25,824	5,764	13,024	100,794
Fund balance, June 30, 2015	\$ 41,981	\$ 5,759	\$ 25,923	\$ 198,564	\$ 12,457	\$ 284,684

SIMPSON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS - AGENCY FUNDS - SCHOOL ACTIVITY

June 30, 2015

	Franklin Elementary	Lincoln Elementary	Simpson Elementary	Franklin-Simpson Middle	Franklin-Simpson High	Agency Fund
Assets						
Cash and cash equivalents	\$ 2,030	\$ 22,517	\$ 12,880	\$ 30,731	\$ 57,164	\$ 125,322
Receivables						-
Total Assets	<u>\$ 2,030</u>	<u>\$ 22,517</u>	<u>\$ 12,880</u>	<u>\$ 30,731</u>	<u>\$ 57,164</u>	<u>\$ 125,322</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 950	\$ 1,303	\$ -	\$ 2,253
Due to student groups	2,030	22,517	11,930	29,428	57,164	123,069
Total Liabilities	<u>\$ 2,030</u>	<u>\$ 22,517</u>	<u>\$ 12,880</u>	<u>\$ 30,731</u>	<u>\$ 57,164</u>	<u>\$ 125,322</u>

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS - SCHOOL ACTIVITY
YEAR ENDED JUNE 30, 2015

<u>SCHOOL</u>	<u>CASH BALANCE July 1, 2014</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCE June 30, 2015</u>	<u>RECEIVABLES June 30, 2015</u>	<u>ACCOUNTS PAYABLE June 30, 2015</u>	<u>DUE TO STUDENT GROUPS June 30, 2015</u>
Franklin Elementary	\$ 2,971	\$ 22,417	\$ 23,358	\$ 2,030	\$ -	\$ -	\$ 2,030
Lincoln Elementary	29,133	33,724	40,340	22,517	-	-	22,517
Simpson Elementary	14,745	48,057	49,922	12,880	-	950	11,930
Franklin-Simpson Middle	29,420	130,005	128,694	30,731	-	1,303	29,428
Franklin-Simpson High	49,360	356,823	349,019	57,164	-	-	57,164
	<u>\$ 125,629</u>	<u>\$ 591,026</u>	<u>\$ 591,333</u>	<u>\$ 125,322</u>	<u>\$ -</u>	<u>\$ 2,253</u>	<u>123,069</u>

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FRANKLIN-SIMPSON HIGH SCHOOL
YEAR ENDED June 30, 2015

<u>NAME OF ACTIVITY</u>	<u>CASH BALANCES July 1, 2014</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCES June 30, 2015</u>	<u>RECEIVABLES June 30, 2015</u>	<u>ACCOUNTS PAYABLE June 30, 2015</u>	<u>DUE TO STUDENT GROUPS June 30, 2015</u>
General Fund	\$ 41	\$ 3,212	\$ 2,534	\$ 719	\$ -	\$ -	\$ 719
Cash on hand	-	-	-	-	-	-	-
AP testing	3,442	21,616	19,847	5,211	-	-	5,211
Attendance rewards	-	-	-	-	-	-	-
Banner/Posters	-	6,563	6,563	-	-	-	-
Teachers Vending	-	4,419	4,283	136	-	-	136
Faculty Events	-	-	-	-	-	-	-
Trip Fund	-	4,294	4,294	-	-	-	-
Fundraising	-	-	-	-	-	-	-
Homecoming Committee	-	-	-	-	-	-	-
Hospitality	-	-	-	-	-	-	-
The Hub Store	3,429	2,569	2,564	3,434	-	-	3,434
Lollipop shop	155	1,045	1,200	-	-	-	-
Magazine sales	-	-	-	-	-	-	-
parking tags	280	1,105	837	548	-	-	548
PBS Rewards	-	-	-	-	-	-	-
Project Graduation	-	1,567	1,567	-	-	-	-
Prom	2,254	7,077	6,797	2,534	-	-	2,534
Senior trip	-	-	-	-	-	-	-
Student council	1,891	9,127	9,091	1,927	-	-	1,927
Student fees	1,428	18,829	20,033	224	-	-	224
Student vending	-	8,734	8,121	613	-	-	613
Summer school	1,635	1,101	378	2,358	-	-	2,358
Tech rentals	-	-	-	-	-	-	-
Textbook rental	-	-	-	-	-	-	-
Wildcat cards	-	-	-	-	-	-	-
Yearbook	7,001	28,561	25,401	10,161	-	-	10,161
Youth services	-	-	-	-	-	-	-
Academic team	-	-	-	-	-	-	-
Band	114	2,962	3,001	75	-	-	75
Beta	1,464	4,010	5,006	468	-	-	468
Chorus	3,002	5,230	7,675	557	-	-	557
DECA	-	7,241	6,969	272	-	-	272
Diversity	474	100	157	417	-	-	417
Drama	1,246	3,662	3,587	1,321	-	-	1,321
Fashion design	-	-	-	-	-	-	-
FAP	110	-	-	110	-	-	110
FBLA	338	20,105	19,749	694	-	-	694
FCA	295	415	338	372	-	-	372
FCCLA	314	60	146	228	-	-	228
FEA Club	-	-	-	-	-	-	-
FFA	4,161	20,058	21,713	2,506	-	-	2,506
FFA Travel	-	-	-	-	-	-	-
FFA Mum sales	-	5,211	5,211	-	-	-	-
FFA Poinsettia sales	-	2,735	2,735	-	-	-	-
FFA Banquet	-	4,555	4,555	-	-	-	-
FFA Ticket Sales	-	-	-	-	-	-	-
History Club	476	320	323	473	-	-	473
HOSA	1,994	21,400	18,326	5,068	-	-	5,068
International club	2,012	4,067	4,839	1,240	-	-	1,240
Mu Alpha Theta	333	-	20	313	-	-	313
Renaissance	-	-	-	-	-	-	-
STLP	-	-	-	-	-	-	-
Skills USA	171	2,910	3,059	22	-	-	22
STLP	1,501	-	275	1,226	-	-	1,226

SIMPSON COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
FRANKLIN-SIMPSON HIGH SCHOOL
YEAR ENDED June 30, 2015

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES July 1, 2014			BALANCES June 30, 2015			June 30, 2015
Athletics	64	\$ 105,038	\$ 104,320	\$ 782	\$ -	\$ -	\$ 782
Baseball	-	-	-	-	-	-	-
Junior Wildcat Basketball	-	2,629	2,049	580	-	-	580
Basketball-Boys	-	-	-	-	-	-	-
Basketball-Girls	-	-	-	-	-	-	-
Athletic concessions	-	-	-	-	-	-	-
Cheerleading	-	-	-	-	-	-	-
SKY Football Conference	-	800	-	800	-	-	800
Cross Country	-	-	-	-	-	-	-
Football	100	-	100	-	-	-	-
Golf	-	-	-	-	-	-	-
Soccer-Boys	-	-	-	-	-	-	-
Soccer-Girls	-	-	-	-	-	-	-
Softball	-	-	-	-	-	-	-
Swimming	-	-	-	-	-	-	-
Tennis	-	-	-	-	-	-	-
Track-boys	-	-	-	-	-	-	-
Track-girls	-	-	-	-	-	-	-
Volleyball	-	-	-	-	-	-	-
Athletics:play-offs only	-	11,822	11,822	-	-	-	-
Class of 2011	-	-	-	-	-	-	-
Class of 2012	-	-	-	-	-	-	-
Class of 2013	-	-	-	-	-	-	-
Class of 2014	-	-	-	-	-	-	-
Class of 2015	344	500	844	-	-	-	-
Class of 2016	331	500	685	146	-	-	146
Class of 2017	29	500	321	208	-	-	208
Class of 2018	-	500	317	183	-	-	183
Ag Construction Class	-	160	159	1	-	-	1
Agriproduce	-	-	-	-	-	-	-
Art	-	67	67	-	-	-	-
Consumer science	2,493	15,085	14,626	2,952	-	-	2,952
Fields class business	173	309	469	13	-	-	13
Floral design	-	-	-	-	-	-	-
Horticulture	1,385	10,582	11,967	-	-	-	-
Human services	-	2,355	1,890	465	-	-	465
Journalism	1,288	1,365	1,440	1,213	-	-	1,213
Masonry department	-	32	32	-	-	-	-
Masonry department	-	-	-	-	-	-	-
Video production	3,203	4,180	855	6,528	-	-	6,528
Welding	148	4,378	4,460	66	-	-	66
Youth service center	-	-	-	-	-	-	-
Bayles grants	-	-	-	-	-	-	-
Advance KY	241	-	241	-	-	-	-
Mckinney fund	-	-	-	-	-	-	-
Read 180	-	-	-	-	-	-	-
Hughes Memorial	-	-	-	-	-	-	-
Jerry James memorial	-	-	-	-	-	-	-
Joker Phillips Donation	-	-	-	-	-	-	-
Math grant	-	-	-	-	-	-	-
PE Dept Grant	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-
Sub Total	49,360	385,662	377,858	57,164	-	-	57,164
Interfund Transfers	-	28,839	28,839	-	-	-	-
TOTAL	\$ 49,360	\$ 356,823	\$ 349,019	\$ 57,164	\$ -	\$ -	\$ 57,164

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-14	\$ 166,155
		7750002-15	664,490
School Breakfast Program	10.553	7760005-14	64,290
		7760005-15	251,580
Summer Food Service Program for Children	10.559	7690024-14	4,027
		7740023-14	21,760
		7740023-15	34,235
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	82,645
TOTAL CHILD NUTRITION CLUSTER			<u>1,289,182</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,289,182</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3373	108
		3373C	19
		3373P	2
		3374	36,704
		3374C	(17,258)
		3374P	(582)
		3374R	4,986
		337A	459,490
		337AC	83,939
		337AP	2,460
			<u>569,868</u>
Special Education - Preschool Grants	84.173	3364	36,549
		3364E	6,900
		336A	280,869
		336AE	108,173
		3434	13,933
		3434C	7,575
		3434P	800
		343A	42,923
		343AC	7,575
			<u>505,297</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>1,075,165</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3103M	145
		3104	150,137
		3104M	6,239
		310A	628,781
		310AM	2,607
		3204	54,546
		320A	52,553
			<u>895,008</u>
Vocational Education - Basic Grants to States	84.048	3484	1,324
		348A	32,980
			<u>34,304</u>

The accompanying notes are an integral part of this schedule.

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED June 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Rural Education	84.358	3504 350A	15,111 <u>56,328</u>
			<u>71,439</u>
English Language Acquisition State Grants	84.365	3454 345A	14,590 <u>8,453</u>
			<u>23,043</u>
Improving Teacher Quality - State Grants	84.367	4014 401A	46,164 <u>27,858</u>
			<u>74,022</u>
School Improvement Grants	84.377	4604	665,816
Race to the Top	84.413A	4521	1,786
Passed Through Green River Regional Educational Cooperative ARRA - Race to the Top	84.416	4364 4364A 436A 436AA	147 38,675 162,468 <u>30,494</u>
			<u>231,784</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,072,367</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,361,549</u>

The accompanying notes are an integral part of this schedule.

SIMPSON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Simpson County School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Simpson County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Simpson County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

SIMPSON COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

There were no prior federal audit findings.

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

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



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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Simpson County School District's basic financial statements, and have issued our report thereon dated September 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants
Elizabethtown, Kentucky
September 2, 2015

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants
Elizabethtown, Kentucky
September 2, 2015

MANAGEMENT LETTER AND COMMENTS

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



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Simpson County School District
Franklin, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 2, 2015, contains our report on the District's internal control. This letter does not affect our report dated September 2, 2015, on the financial statements of the Simpson County School District.

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

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

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
September 2, 2015

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

UNCORRECTED PRIOR YEAR COMMENTS

FRANKLIN ELEMENTARY SCHOOL

FUNDRAISERS APPROVAL FORM

SCA noted that there was only one Fundraiser Approval Form (form F-SA-2A) that encompassed all of the following fundraisers: fall/spring festivals, silent auction, magic show, field trips, shirt sales, box tops, Dairy Queen night, Zaxby's night, Sol Azteca night, and mom's night out. Redbook requires a Fundraiser Approval Form for each fundraiser.

We noted during the review of disbursements that check #8772, dated 06/01/2015, in amount of \$360.00, was written to Franklin-Simpson High School for DVD's from the Music Fund. These DVD's were sold to the students as a fundraiser for the Music Fund. However, there was not a Fundraiser Approval Form (form F-SA-2A), a Fundraiser Worksheet (form F-SA-2B) or a Sales Collection Form (form F-SA-17) on file.

MANAGEMENT RESPONSE

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

SIMPSON ELEMENTARY SCHOOL

FUNDRAISERS

We noted that there was not a Fundraiser Approval Form (Form F-SA-2A) on file for the sale of take-home folders fundraiser held during the 2014-2015 fiscal year.

We noted that Fundraiser Worksheets Forms (form F-SA-2B) were not completed for either the Bookfair, DVD, or take-home folder fundraisers.

MANAGEMENT RESPONSE

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

FRANKLIN-SIMPSON MIDDLE SCHOOL

SEGREGATION OF DUTIES

SCA noted during review of client's internal control questionnaire that the CFT takes deposits to the bank and matches invoices to checks. Redbook requires these duties to be segregated.

MANAGEMENT RESPONSE

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

INVENTORY CONTROLS

We noted that the Form F-SA-5 Inventory Control Worksheet, for concessions, was not properly filled out for every month during the basketball season. Only the month of November had a properly completed Form F-SA-5. Home basketball games were held in the month of December, but Form F-SA-5 was not completed for December. Redbook requires Inventory Control Worksheets to be filled out until there is no ending inventory or the end of the school year.

MANAGEMENT RESPONSE

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

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

FRANKLIN SIMPSON HIGH SCHOOL

EXTERNAL SUPPORT/BOOSTER ORGANIZATIONS

We noted that the following booster organizations did not have an AFR for FY 2014-2015: FS Quarterback Club, FS Lady Cats Volleyball, FSHS Girls Soccer Booster Club, Lady Cats Softball Booster, FS Baseball Boosters, FSHS Cheer Boosters, FSHS Boys' Basketball and FSHS Boys' Soccer.

We noted that the following booster organizations did not have a budget for FY 2014-2015: FSHS Girl's Soccer Booster Club, Lady Cats Softball Booster, FSHS Cheer Boosters and FSHS Boys' Basketball.

We noted the following booster organizations did not have an EIN listed: FS Lady Cats Volleyball, FS Baseball Boosters and FSHS Boys' Basketball.

MANAGEMENT RESPONSE

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

CURRENT YEAR COMMENTS

FRANKLIN ELEMENTARY SCHOOL

UNTIMELY DEPOSIT

SCA noted during review of receipts that the deposit dated 5/29/2015 included ten Multiple Receipt Forms (form F-SA-6) that were not dated by the teacher collecting monies from students.

MANAGEMENT RESPONSE

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

LINCOLN ELEMENTARY SCHOOL

UNTIMELY DEPOSIT

SCA noted during review of receipts that the deposit dated 4/15/2015 included Multiple Receipt Forms (form F-SA-6) indicating that \$25.00 had been collected on 3/30/2015, \$25.00 had been collected on 3/31/2015, and \$50.00 had been collected on 4/13/2015, totaling \$150.00, and held for deposit until 4/15/2015. Redbook requires daily deposits if over \$100.00.

MANAGEMENT RESPONSE

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

SIMPSON ELEMENTARY SCHOOL

DONATION ACCEPTANCE FORM

SCA noted that the deposit dated 01/13/2015, in the amount of \$1,742.20 had an attached receipt for a \$1,674.45 donation made from the PTO. There was no Donation Acceptance Form (form F-SA-18) on file for this donation, therefore, we could not determine the applicable fund.

We noted that the deposit dated 05/01/2015, in the amount of \$680.42 had an attached receipt for a \$500.00 donation made from the Family Resource Center. There was no Donation Acceptance Form (form F-SA-18) on file for this donation, therefore, we could not determine the applicable fund.

MANAGEMENT RESPONSE

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

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

UNALLOWABLE PURCHASES

SCA noted that check #4774, dated 07/28/2014, and written to Cindy Sopko in the amount of \$228.90 from the Music Fund, was for the reimbursement of the purchase of admission to a virtual conference. Redbook disallows the purchase of items related to professional/staff development from school activity funds.

We noted that check #4776, dated 08/12/2014, in the amount of \$324.00 from the General Fund, was written to Ident-A-Kid for the purchase of visitor labels. Redbook disallows the purchase of operational or maintenance items from school activity funds.

We noted that check #4843, dated 01/28/2015, in the amount of \$196.34 from the Sandy Dixon's Classroom Fund, was written to Quill Corporation for the purchase of a drum cartridge for their classroom printer. Redbook disallows the purchase of operation or maintenance items from school activity funds.

We noted that check #4887, dated 05/19/2015, in the amount of \$1,114.20 from the School Pictures Fund, was written to Quill Corporation for the purchase of toner for various laser printers. Redbook disallows the purchase of operation or maintenance items from student activity funds.

We noted that check #4890, dated 05/19/2015, in the amount of \$1,107.44 from the School Pictures Fund, was written to School Specialty for the purchase of various office supplies. Redbook disallows the purchase of operation or maintenance items from school activity funds.

MANAGEMENT RESPONSE

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

FRANKLIN-SIMPSON MIDDLE SCHOOL

CREDIT CARDS

SCA noted during review of internal control for credit cards that Credit Card Sign In/Out Log (form F-SA-13) was not properly completed. We observed nine instances where the CFT signed the Wal-Mart Community Card out and did not have anyone witnessing the card being returned.

MANAGEMENT RESPONSE

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

UNTIMELY DEPOSIT

SCA noted during review of receipts that the deposit dated 03/26/2015, for \$325.00, included \$195.00 in cash collected on 03/24/2015 and held for two days before being deposited on 03/26/2015.

MANAGEMENT RESPONSE

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

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

FUNDRAISER FORM

SCA noted during review of fundraisers that the candy bar sales, approved on 10/15/2014, included an incomplete Inventory Control Worksheet (form F-SA-5). The worksheet only included a count of beginning inventory, and did not indicate sales collections, or the amount of ending inventory.

SCA noted that the fundraiser involving "Cupid Grams" did not include Fundraiser Worksheet (form F-SA-2B). Included was the Fundraiser Approval (form F-SA-2A) and Multiple Receipt Form (form F-SA-6) detailing the fundraiser. The Multiple Receipt Form was not properly completed, and only included a total of cash collected, without a listing of each student's contribution.

MANAGEMENT RESPONSE

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

FRANKLIN-SIMPSON HIGH SCHOOL

FUNDRAISER APPROVAL DATE

SCA noted the fundraiser involving the Human Services Fund and T-shirt sales was approved on 01/29/2015. The Fundraiser Worksheet (form F-SA-2B) indicated that monies were received on 10/14/2014 and 11/20/2014, before the fundraiser had been approved by the board.

MANAGEMENT RESPONSE

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

COPIES OF CHECKS

SCA noted during review of receipts that the deposit dated 11/03/2014 included \$7,915.39 in checks and \$226.35 in cash. Only one copy of a check was retained in the amount of \$7,035.74, and no copies of the remaining checks were retained or names included on the deposit slip.

SCA noted during review of receipts that the deposit dated 11/25/2014 included \$2,785.65 in checks and \$3,358.07 in cash. Only copies of checks totaling \$961.25 were retained, and no copies of the remaining checks were retained or names included on the deposit slip.

SCA noted during review of receipts that the deposits dated 02/27/2015 and 05/11/2015 included \$1,162.00 and \$93.00 in checks, respectively, and no copies of any checks were retained or names listed on the deposit ticket.

MANAGEMENT RESPONSE

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

UNTIMELY DEPOSIT

SCA noted during review of receipts that the deposits dated 11/03/2014 and 11/25/2014 contained three Multiple Receipt Forms (F-SA-6) that were signed but not dated.

SCA noted during review of receipts that the deposit dated 02/27/2015 included a Multiple Receipt Form (form F-SA-6) dated 2/6/2015 indicating a receipt of \$162.00 in cash that was held for deposit until 02/27/2015.

MANAGEMENT RESPONSE

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

SIMPSON COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

CREDIT CARDS

We noted that the same employee signed out the school's credit card and witnessed themselves signing the card back in on 08/28/2014 and 10/28/2014. We also noted that the school's credit card was missing the date and time of return on 11/07/2014.

MANAGEMENT RESPONSE

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

FUNDRAISERS

We noted that the Greenhouse fundraiser, for the FFA activity fund, did not have any inventory control worksheets. Redbook requires inventory control worksheets for Greenhouse fundraisers.

MANAGEMENT RESPONSE

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