

TRIGG COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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**TRIGG COUNTY SCHOOL DISTRICT
JUNE 30, 2015**

BOARD OF EDUCATION

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

ADMINISTRATIVE STAFF

Travis Hamby, Superintendent
Michelle Wilson, Finance Officer

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 Trigg County School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in fiscal year 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB 50, *Pension Disclosures*. 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, budgetary comparison information, and pension schedules on pages 4–13, 56–58, and 59-63 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are the

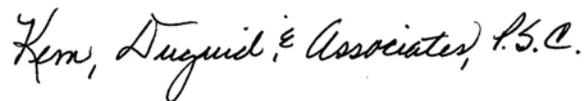
responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trigg County School District's internal control over financial reporting and compliance.

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



Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Trigg County School District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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 ending cash and investments balance for the District was \$8,595,791, as compared with the beginning cash balance of \$10,493,111. The ending cash and investments balance consists of General Fund of \$6,507,998, Special Revenue Fund of (\$241,267), Other Governmental Funds of \$1,810,086, Food Service Fund of \$332,922, and School Activity Funds of \$186,052.
- Total government-wide net position decreased by \$3,901,976 (includes (\$4,032,000) for GASB 68 adjustment) for the fiscal year ended June 30, 2015. Total long-term obligations had a net increase of \$3,147,195, while the unrestricted net assets decreased \$3,745,472 and restricted assets decreased by \$1,700,630.
- The General Fund had \$17,501,027 in revenue, which primarily consisted of the state program (SEEK), property, utilities, motor vehicle, and in lieu of taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased \$441,377 in comparison to prior year of \$17,059,650. Excluding interfund transfers, there were General Fund expenditures totaling \$17,309,593. This is an increase of \$543,442 compared to \$16,766,151 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$3,934,861 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, technology, and debt service. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

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

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

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

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

The District has three kinds of funds:

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 64.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$16,908,297 as of June 30, 2015.

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

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

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2015 and 2014:

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Net Position for June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		District Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets and other assets	\$ 8,476,554	\$ 10,377,356	\$ 356,931	\$ 434,516	\$ 8,833,485	\$ 10,811,872
Capital assets	18,171,273	17,372,426	990,253	1,024,597	19,161,526	18,397,023
Total assets	26,647,827	27,749,782	1,347,184	1,459,113	27,995,011	29,208,895
Deferred outflows	378,856	-	68,172	-	447,028	-
Liabilities:						
Current liabilities	1,118,211	1,479,086	-	-	1,118,211	1,479,086
Noncurrent liabilities	9,443,385	6,919,536	623,346	-	10,066,731	6,919,536
Total liabilities	10,561,596	8,398,622	623,346	-	11,184,942	8,398,622
Deferred inflows	295,608	-	53,192	-	348,800	-
Net position:						
Investment in capital assets, net of related debt	11,429,854	9,851,384	990,253	1,024,597	12,420,107	10,875,981
Restricted	1,939,855	3,640,485	-	-	1,939,855	3,640,485
Unrestricted	2,799,770	5,859,291	(251,435)	434,516	2,548,335	6,293,807
Total net position	\$ 16,169,479	\$ 19,351,160	\$ 738,818	\$ 1,459,113	\$ 16,908,297	\$ 20,810,273

Change in net position. The District’s governmental activities net position decreased \$3,181,681. The components of the net change are a current increase of \$235,439 and a prior period adjustment of \$3,417,120 for the implementation of GASB 68. The business-type activities net position decreased by \$739,157. The components of net change are a current year decrease of \$124,277 and a prior period adjustment of \$614,880 for the implementation of GASB 68.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations for the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$255,192. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of schedule of changes in the District's net position for the years ended June 30, 2015 and 2014:

Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		District Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 372,751	\$ 419,099	\$ 372,751	\$ 419,099
Operating grants and contributions	5,573,770	5,392,417	702,499	734,466	6,276,269	6,126,883
Capital grants and contributions	255,192	557,296	-	-	255,192	557,296
General revenues:						
Property taxes	4,153,979	3,981,029	-	-	4,153,979	3,981,029
Other taxes	3,173,689	3,219,447	-	-	3,173,689	3,219,447
State aid	7,359,910	6,965,202	187,024	171,876	7,546,934	7,137,078
Investment earnings	40,825	28,706	563	1,129	41,388	29,835
Other	232,762	191,523	1,315	595	234,077	192,118
Total revenues	20,790,127	20,335,620	1,264,152	1,327,165	22,054,279	21,662,785
Expenses:						
Instruction	11,430,391	11,237,527	-	-	11,430,391	11,237,527
Support services:						
Student	1,085,371	1,106,501	-	-	1,085,371	1,106,501
Instructional support	1,382,288	1,349,944	-	-	1,382,288	1,349,944
District administration	936,101	909,173	-	-	936,101	909,173
School administration	1,094,984	1,017,197	-	-	1,094,984	1,017,197
Business support	743,427	854,310	-	-	743,427	854,310
Plant operations	1,832,162	1,674,128	-	-	1,832,162	1,674,128
Student transportation	1,556,702	1,411,742	-	-	1,556,702	1,411,742
Community services	159,282	159,316	-	-	159,282	159,316
Interest on long-term debt	256,680	254,837	-	-	256,680	254,837
Other	58,438	52,662	-	-	58,438	52,662
Food service	-	-	1,201,200	1,203,620	1,201,200	1,203,620
Day care	-	-	187,229	187,546	187,229	187,546
Total expenses	20,535,826	20,027,337	1,388,429	1,391,166	21,924,255	21,418,503
Increase (Decrease) in net position before transfers	254,301	308,283	(124,277)	(64,001)	130,024	244,282
Transfers in (out)	(18,862)	(8,657)	18,862	8,657	-	-
Increase (Decrease) in net position after transfers	\$ 235,439	\$ 299,626	\$ (105,415)	\$ (55,344)	\$ 130,024	\$ 244,282

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, The District’s governmental funds reported combined ending fund balances of \$8,203,196, a decrease of \$1,523,368 in comparison to prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2015 and 2014.

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of fund balances for the fiscal years ended June 30, 2015 and 2014:

Governmental Funds Balances as of June 30, 2015 and 2014:

Governmental Funds	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
General Fund	\$ 6,353,341	\$ 6,215,355	\$ 137,986
Special Revenue Fund	39,769	36,215	3,554
Building Fund	426,135	347,990	78,145
Construction Fund	761,875	2,595,399	(1,833,524)
Debt Service Fund	(39,276)	(39,276)	-
Capital Outlay	<u>661,352</u>	<u>570,881</u>	<u>90,471</u>
Total governmental funds	<u>\$ 8,203,196</u>	<u>\$ 9,726,564</u>	<u>\$ (1,523,368)</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$3,690,753, while total fund balance reached \$6,353,341. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 21.32% of the total General Fund expenditures, while total fund balance represents 36.70% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$137,986. This increase in General Fund balance was primarily due to controlling expenditures, within the available revenues. Revenues, transfers, and proceeds from sale of fixed assets totaling \$17,503,473 increased \$428,731, while expenditures and transfers out totaling \$17,365,487 increased \$505,654.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$3,502,635 of state payments on-behalf of District employees for retirement, health benefits, technology, and debt service. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers, beginning balances, and on-behalf payments, were \$13,998,392; compared to the total budgeted revenues of \$12,579,236.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers and on-behalf payments, were \$13,806,958; compared to the total budgeted expenditures of \$18,763,559.

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2015, the District had \$19,161,526 invested in capital assets net of depreciation: historical cost totaled \$36,388,642 with accumulated depreciation totaling \$17,227,111. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Funds in the amount of \$1,833,565 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$1,068,874, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 4 to the financial statements.

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2015 and 2014.

Net Capital Assets for the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 276,300	\$ 276,300	\$ -	\$ -	\$ 276,300	\$ 276,300
Construction in progress	3,540,875	1,707,310	-	-	3,540,875	1,707,310
Buildings and improvements	12,866,836	13,454,971	965,027	993,832	13,831,863	14,448,803
Land improvements	83,166	88,741	-	-	83,166	88,741
Technology equipment	245,367	446,413	3,424	6,106	248,791	452,519
Vehicles	999,001	1,205,295	-	-	999,001	1,205,295
General equipment	159,728	193,396	21,802	24,659	181,530	218,055
	<u>\$ 18,171,273</u>	<u>\$ 17,372,426</u>	<u>\$ 990,253</u>	<u>\$ 1,024,597</u>	<u>\$ 19,161,526</u>	<u>\$ 18,397,023</u>

Long-Term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2015 were \$6,755,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$2,835,650 of the bonds leaving the District to pay \$3,919,350. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses and office equipment, will decrease as the leases are paid down.

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

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

OUTLOOK FOR THE FUTURE

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

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,122,817	\$ 332,922	\$ 2,455,739
Investments	5,954,000	-	5,954,000
Accounts receivable:			
Taxes	100,870	-	100,870
Other	1,160	-	1,160
Intergovernmental - state	374	-	374
Intergovernmental - indirect federal	297,333	-	297,333
Inventory	-	24,009	24,009
Capital assets:			
Non-depreciable	3,817,175	-	3,817,175
Other capital assets, net of depreciation	14,354,098	990,253	15,344,351
Total assets	<u>26,647,827</u>	<u>1,347,184</u>	<u>27,995,011</u>
DEFERRED OUTFLOWS OR RESOURCES			
Deferred pension amounts	<u>378,856</u>	<u>68,172</u>	<u>447,028</u>
Total deferred outflows of resources	<u>378,856</u>	<u>68,172</u>	<u>447,028</u>
LIABILITIES			
Accounts payable	256,687	-	256,687
Unearned revenue	16,671	-	16,671
Accrued interest	38,043	-	38,043
Long-term obligations			
Portion due or payable within one year:			
Bonds payable	785,000	-	785,000
Capital leases	21,810	-	21,810
Compensated absences	-	-	-
Portion due or payable after one year			
Bonds payable	5,915,184	-	5,915,184
Capital leases	19,425	-	19,425
Compensated absences	121,997	13,925	135,922
Net pension liability	<u>3,386,779</u>	<u>609,421</u>	<u>3,996,200</u>
Total liabilities	<u>10,561,596</u>	<u>623,346</u>	<u>11,184,942</u>
DEFERRED INFLOWS OR RESOURCES			
Deferred pension amounts	<u>295,608</u>	<u>53,192</u>	<u>348,800</u>
Total deferred inflows of resources	<u>295,608</u>	<u>53,192</u>	<u>348,800</u>
NET POSITION			
Invested in capital assets, net of related debt	11,429,854	990,253	12,420,107
Restricted	1,939,855	-	1,939,855
Unrestricted	<u>2,799,770</u>	<u>(251,435)</u>	<u>2,548,335</u>
Total net position	<u>\$ 16,169,479</u>	<u>\$ 738,818</u>	<u>\$ 16,908,297</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
Current:					
Instruction	\$ 11,430,391	\$ -	\$ 3,460,432	\$ -	\$ (7,969,959)
Support services:					
Student	1,085,371	-	272,905	-	(812,466)
Instructional staff	1,382,288	-	668,373	-	(713,915)
District administrative	936,101	-	83,291	-	(852,810)
School administrative	1,094,984	-	289,027	-	(805,957)
Business	743,427	-	161,784	-	(581,643)
Plant operations and maintenance	1,832,162	-	211,431	-	(1,620,731)
Student transportation	1,556,702	-	273,207	-	(1,283,495)
Community service activities	159,282	-	153,320	-	(5,962)
Facilities acquisition and construction	58,438	-	-	-	(58,438)
Interest on long-term debt	256,680	-	-	255,192	(1,488)
Total governmental activities	20,535,826	-	5,573,770	255,192	(14,706,864)
Business-Type Activities:					
Food service	1,201,200	242,053	702,499	-	(256,648)
Day care services	187,229	130,698	-	-	(56,531)
Total business-type activities	1,388,429	372,751	702,499	-	(313,179)
Total activities	\$ 21,924,255	\$ 372,751	\$ 6,276,269	\$ 255,192	\$ (15,020,043)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net Revenues (Expenses)			\$ (14,706,864)	\$ (313,179)	\$ (15,020,043)
General Revenues					
Taxes:					
Property			4,153,979	-	4,153,979
Motor vehicle			462,176	-	462,176
Utilities			878,183	-	878,183
Other			1,833,330	-	1,833,330
Investment earnings			40,825	563	41,388
State aid			7,359,910	187,024	7,546,934
Gain (loss) on sale of fixed assets			2,258	-	2,258
Miscellaneous			230,504	1,315	231,819
Total general revenues			14,961,165	188,902	15,150,067
Change in net position before transfers			254,301	(124,277)	130,024
Transfers in (out)			(18,862)	18,862	-
Change in net position after transfers			235,439	(105,415)	130,024
Net position, July 1, 2014			19,351,160	1,459,113	20,810,273
Implementation of GASB 68 (Note 16)			(3,417,120)	(614,880)	(4,032,000)
Net position, July 1, 2014, restated			15,934,040	844,233	16,778,273
Net position, June 30, 2015			\$ 16,169,479	\$ 738,818	\$ 16,908,297

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 553,998	\$ (241,267)	\$ 1,810,086	\$ 2,122,817
Investments	5,954,000	-	-	5,954,000
Accounts receivable:				
Taxes	100,870	-	-	100,870
Other	1,160	-	-	1,160
Intergovernmental - state	-	374	-	374
Intergovernmental - indirect federal	-	297,333	-	297,333
	<u>\$ 6,610,028</u>	<u>\$ 56,440</u>	<u>\$ 1,810,086</u>	<u>\$ 8,476,554</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 256,687	\$ -	\$ -	\$ 256,687
Unearned revenue	-	16,671	-	16,671
	<u>256,687</u>	<u>16,671</u>	<u>-</u>	<u>273,358</u>
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	90,000	39,769	1,810,086	1,939,855
Committed	1,551,217	-	-	1,551,217
Assigned	1,021,371	-	-	1,021,371
Unassigned	3,690,753	-	-	3,690,753
	<u>6,353,341</u>	<u>39,769</u>	<u>1,810,086</u>	<u>8,203,196</u>
Total liabilities and fund balances	<u>\$ 6,610,028</u>	<u>\$ 56,440</u>	<u>\$ 1,810,086</u>	<u>\$ 8,476,554</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per fund financial statements		\$ 8,203,196
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$34,648,887, and the accumulated depreciation is \$16,477,614.</p>		
		18,171,273
<p>Pension related items:</p>		
Deferred outflow		378,856
Deferred inflow		(295,608)
Unfunded pension liability		(3,386,779)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:</p>		
Bond obligations	\$ (6,689,270)	
Bond premium	(10,914)	
Capital lease obligations	(41,235)	
Accrued interest on bonds	(38,043)	
Noncurrent portion of accumulated sick leave	(121,997)	(6,901,459)
Net position for governmental activities		<u>\$ 16,169,479</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
From local sources:				
Taxes				
Property	\$ 3,648,228	\$ -	\$ 505,751	\$ 4,153,979
Motor vehicle	462,176	-	-	462,176
Utilities	878,183	-	-	878,183
Other	1,833,330	-	-	1,833,330
Student activities	181,220	-	-	181,220
Earnings on investments	39,115	71	1,639	40,825
Other local revenues	49,284	-	-	49,284
Intergovernmental - state	10,409,491	823,212	650,362	11,883,065
Intergovernmental - federal	-	1,305,807	-	1,305,807
Total revenues	<u>17,501,027</u>	<u>2,129,090</u>	<u>1,157,752</u>	<u>20,787,869</u>
EXPENDITURES				
Current:				
Instruction	9,797,706	1,238,270	-	11,035,976
Support services:				
Student	1,005,362	46,227	-	1,051,589
Instructional staff	748,632	521,165	-	1,269,797
District administration	924,568	20,000	-	944,568
School administration	1,049,696	41,870	-	1,091,566
Business	678,414	55,728	-	734,142
Plant operation and maintenance	1,753,363	-	-	1,753,363
Student transportation	1,267,225	83,572	-	1,350,797
Community service activities	404	155,736	-	156,140
Land improvements/acquisition	14,670	-	-	14,670
Site improvement	43,768	-	-	43,768
Building improvements	-	-	1,833,565	1,833,565
Debt service	25,785	-	989,095	1,014,880
Total expenditures	<u>17,309,593</u>	<u>2,162,568</u>	<u>2,822,660</u>	<u>22,294,821</u>
Excess (deficit) of revenues over (under) expenditures	<u>191,434</u>	<u>(33,478)</u>	<u>(1,664,908)</u>	<u>(1,506,952)</u>
Other financing sources (uses)				
Proceeds from disposal of fixed assets	2,446	-	-	2,446
Operating transfers in	-	37,032	733,903	770,935
Operating transfers out	(55,894)	-	(733,903)	(789,797)
Total other financing sources (uses)	<u>(53,448)</u>	<u>37,032</u>	<u>-</u>	<u>(16,416)</u>
Net changes in fund balances	137,986	3,554	(1,664,908)	(1,523,368)
Fund balances, July 1, 2014	<u>6,215,355</u>	<u>36,215</u>	<u>3,474,994</u>	<u>9,726,564</u>
Fund balances, June 30, 2015	<u>\$ 6,353,341</u>	<u>\$ 39,769</u>	<u>\$1,810,086</u>	<u>\$ 8,203,196</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in total fund balances per fund financial statements \$ (1,523,368)

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

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

Capital outlay	1,833,565	
Depreciation expense	<u>(1,034,530)</u>	799,035

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold. (188)

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

Bond payments	765,000	
Capital lease payments	<u>23,337</u>	788,337

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

Deferred pension amounts	113,589	
Amortization of bond discount	(9,973)	
Amortization of bond premium	1,259	
Increase in accrued interest payable	1,914	
Decrease in compensated absences	<u>64,834</u>	<u>171,623</u>

Change in net position of governmental activities \$ 235,439

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	School Food Service Fund	Day Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 332,922	\$ -	\$ 332,922
Inventory	24,009	-	24,009
Total current assets	356,931	-	356,931
Noncurrent assets			
Capital assets	1,739,750	-	1,739,750
Less: accumulated depreciation	(749,497)	-	(749,497)
Total noncurrent assets	990,253	-	990,253
Total assets	1,347,184	-	1,347,184
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	54,359	13,813	68,172
LIABILITIES			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
Long term liabilities			
Compensated absences	13,925	-	13,925
Unfunded pension liability	485,938	123,483	609,421
Total long term liabilities	499,863	123,483	609,421
Total liabilities	499,863	123,483	609,421
DEFERRED INFLOWS OF RESOURCES			
Deferred pension amounts	42,414	10,778	53,192
NET POSITION			
Invested in capital assets, net of related debt	990,253	-	990,253
Unrestricted	(130,987)	(120,448)	(251,435)
Total net position	\$ 859,266	\$ (120,448)	\$ 738,818

See accompanying notes to financial statements

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	School Food Service Fund	Day Care Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 242,053	\$ -	\$ 242,053
Child care fees	-	130,698	130,698
Other revenue	20	1,295	1,315
Total operating revenues	<u>242,073</u>	<u>131,993</u>	<u>374,066</u>
OPERATING EXPENSES			
Salaries and wages	612,887	187,229	800,116
Materials and supplies	505,339	-	505,339
Depreciation	34,345	-	34,345
Contract services	47,850	-	47,850
Other operating expenses	779	-	779
Total operating expenses	<u>1,201,200</u>	<u>187,229</u>	<u>1,388,429</u>
Operating income (loss)	<u>(959,127)</u>	<u>(55,236)</u>	<u>(1,014,363)</u>
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	643,114	-	643,114
Donated commodities	59,385	-	59,385
State grants	9,990	-	9,990
State on-behalf payments	136,519	40,515	177,034
Operating transfers in (out)	-	18,862	18,862
Interest income	563	-	563
Total non-operating revenues (expenses)	<u>849,571</u>	<u>59,377</u>	<u>908,948</u>
Change in net position	<u>(109,556)</u>	<u>4,141</u>	<u>(105,415)</u>
Net position, July 1, 2014	1,459,113	-	1,459,113
Implementation of GASB 68 (Note 16)	<u>(490,291)</u>	<u>(124,589)</u>	<u>(614,880)</u>
Net position, July 1, 2014 restated	<u>968,822</u>	<u>(124,589)</u>	<u>844,233</u>
Net position, June 30, 2015	<u>\$ 859,266</u>	<u>\$ (120,448)</u>	<u>\$ 738,818</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	School Fund Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 242,053	\$ -	\$ 242,053
Child care fees	-	130,698	130,698
Other activities	20	1,295	1,315
Cash paid to/for:			
Employees	(478,741)	(150,855)	(629,596)
Supplies	(447,073)	-	(447,073)
Other activities	(48,630)	-	(48,630)
Net cash provided (used) by operating activities	<u>(732,371)</u>	<u>(18,862)</u>	<u>(751,233)</u>
Cash flows from noncapital financing activities			
Operating transfers in (out)	-	18,862	18,862
Government grants	653,104	-	653,104
Net cash provided (used) by noncapital financing activities	<u>653,104</u>	<u>18,862</u>	<u>671,966</u>
Cash flows from investing activities			
Purchase of fixed assets	-	-	-
Receipt of interest income	563	-	563
Net cash provided (used) by investing activities	<u>563</u>	<u>-</u>	<u>563</u>
Net increase (decrease) in cash and cash equivalents	(78,704)	-	(78,704)
Balances, beginning of year	411,626	-	411,626
Balances, end of year	<u>\$ 332,922</u>	<u>\$ -</u>	<u>\$ 332,922</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	School Fund Service Fund	Day Care Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (959,127)	\$ (55,236)	\$ (1,014,363)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	34,345	-	34,345
Donated commodities	59,385	-	59,385
State on-behalf payments	136,519	40,515	177,034
Change in assets and liabilities:			
Accounts receivable	-	-	-
Inventory	(1,120)	-	(1,120)
Deferred pension amounts	(16,298)	(4,141)	(20,439)
Compensated absences	13,925	-	-
	\$ (732,371)	\$ (18,862)	\$ (765,158)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 59,385	\$ -	\$ 59,385
On-behalf payments	136,519	40,515	177,034

See accompanying notes to financial statements

FIDUCIARY FUND FINANCIAL STATEMENT

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 186,052
Accounts receivable	<u>-</u>
Total assets	<u>186,052</u>
 LIABILITIES	
Accounts payable	-
Due to student groups	<u>186,052</u>
Total liabilities	<u>186,052</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Trigg County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Trigg County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. On March 12, 1992, Trigg County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) was formed as an agency of the District for financing the costs of school building facilities. The Board Members of the Trigg County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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 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.

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. The following are the District's Governmental Funds:

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.

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.

The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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

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

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. The funds' principal operating revenues are food service charges and daycare fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

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

The *Child Care Fund* accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

Fiduciary Funds

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

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *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.

Basis of Accounting

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property taxes

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

The property tax rates for the year ended June 30, 2015, to finance the General Fund operations were \$.506 per \$100 valuation for real property, \$.506 per \$100 valuation for business tangible personal property, and \$.459 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 furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Estimates

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

Interfund Activity

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Prepaid Expenditures

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

Inventories

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.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

Interfund Balances

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

Accrued Liabilities and Long-Term Obligations

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Debt Premium and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

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.

Pensions

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category: the deferred outflows of resources related to the net pension liability described in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 11.

Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

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

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

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

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

Subsequent Events

Subsequent events have been evaluated through November 12, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

At June 30, 2015, the carrying amount of the District’s deposits was \$2,641,792 and the bank balance was \$4,207,303. Of the District’s bank balances, \$500,000 was covered by Federal Deposit Insurance, with the remaining balance of \$3,707,303 collateralized as discussed above.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

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

Government funds	\$ 2,122,817
Proprietary funds	332,922
Fiduciary funds	<u>186,052</u>
	<u><u>\$ 2,641,791</u></u>

NOTE 3 – INVESTMENTS

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value (Cost)</u>
CD - CADRE Securities	Greater than 90 days	\$ 5,454,000
CD - Heritage Bank	Greater than 90 days	<u>500,000</u>
		<u><u>\$ 5,954,000</u></u>

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

Interest Rate Risk

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – 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 depreciated:				
Land	\$ 276,300	\$ -	\$ -	\$ 276,300
Construction in progress	1,707,310	1,833,565	-	3,540,875
Total nondepreciable historical cost	<u>1,983,610</u>	<u>1,833,565</u>	<u>-</u>	<u>3,817,175</u>
Capital assets depreciated:				
Building and improvements	24,421,453	-	-	24,421,453
Land improvements	111,505	-	-	111,505
Technology equipment	2,472,392	-	45,000	2,427,392
Vehicles	2,933,946	-	53,115	2,880,831
General equipment	990,531	-	-	990,531
Total depreciable historical cost	<u>30,929,827</u>	<u>-</u>	<u>98,115</u>	<u>30,831,712</u>
Less: accumulated depreciation				
Building and improvements	10,966,482	588,135	-	11,554,617
Land improvements	22,764	5,575	-	28,339
Technology equipment	2,025,979	200,858	44,812	2,182,025
Vehicles	1,728,651	206,294	53,115	1,881,830
General equipment	797,135	33,668	-	830,803
Total accumulated depreciation	<u>15,541,011</u>	<u>1,034,530</u>	<u>97,927</u>	<u>16,477,614</u>
Total depreciable historical cost - net	<u>15,388,816</u>	<u>(1,034,530)</u>	<u>188</u>	<u>14,354,098</u>
Governmental activities capital assets - net	<u>\$ 17,372,426</u>	<u>\$ 799,035</u>	<u>\$ 188</u>	<u>\$ 18,171,273</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS, continued

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

Governmental Activities

Support services:

Instruction	\$ 531,341
Student	33,782
Instructional staff	112,491
District administration	56,367
School administration	3,418
Business	9,285
Plant operations and maintenance	78,799
Student transportation	205,905
Community service activities	<u>3,142</u>
	<u><u>\$ 1,034,530</u></u>

Business-Type Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets depreciated:				
Buildings and improvements	\$ 1,440,338	\$ -	\$ -	\$ 1,440,338
Technology equipment	28,445	-	7,850	20,595
General equipment	<u>278,817</u>	<u>-</u>	<u>-</u>	<u>278,817</u>
Total depreciable historical cost	<u>1,747,600</u>	<u>-</u>	<u>7,850</u>	<u>1,739,750</u>
Less: accumulated depreciation				
Buildings and improvements	446,506	28,805	-	475,311
Technology equipment	22,339	2,682	7,850	17,171
General equipment	<u>254,158</u>	<u>2,857</u>	<u>-</u>	<u>257,015</u>
Total accumulated depreciation	<u>723,003</u>	<u>34,344</u>	<u>7,850</u>	<u>749,497</u>
Business-type activities, capital assets - net	<u><u>\$ 1,024,597</u></u>	<u><u>\$ (34,344)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 990,253</u></u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM OBLIGATIONS

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

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2015</u>
2006	\$ 855,000	3.75% - 4.15%	\$ 550,000
2009	5,220,000	2.50% - 3.50%	2,250,000
2012	2,470,000	1.00% - 2.50%	2,195,000
2013	1,830,000	2.00% - 4.00%	1,760,000

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

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table that follows sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM OBLIGATIONS, continued

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

Year	Trigg County School District		School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016	\$ 612,445	\$ 113,840	\$ 172,555	\$ 88,199	\$ 987,039
2017	627,913	94,903	172,087	83,948	978,851
2018	653,390	74,095	176,610	79,666	983,761
2019	668,876	52,402	181,124	75,189	977,591
2020	329,504	30,175	185,496	70,392	615,567
2021-2025	1,027,222	48,370	932,778	270,970	2,279,340
2026-2030	-	-	565,000	141,384	706,384
2031-2034	-	-	450,000	35,200	485,200
	<u>\$ 3,919,350</u>	<u>\$ 413,785</u>	<u>\$ 2,835,650</u>	<u>\$ 844,948</u>	<u>\$ 8,013,733</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM OBLIGATIONS, continued

The changes in outstanding debt are as follows:

	Balance July 1, 2014	New Issues/ Adjustments	Debt Payments/ Refunds	Balance June 30, 2015	Due within One Year
Bonds payable:					
Revenue bonds	\$ 7,520,000	\$ -	\$ 765,000	\$ 6,755,000	\$ 785,000
Less premium(discount)	(63,530)	-	(8,714)	(54,816)	-
Total bonds payable	<u>7,456,470</u>	<u>-</u>	<u>756,286</u>	<u>6,700,184</u>	<u>785,000</u>
Other liabilities:					
Capital lease	64,572	-	23,337	41,235	21,810
Compensated absences					
Governmental	186,831	-	64,834	121,997	-
Business-type	-	13,925	-	13,925	-
Total other liabilities	<u>251,403</u>	<u>13,925</u>	<u>88,171</u>	<u>177,157</u>	<u>21,810</u>
Total long-term liabilities	<u>\$ 7,707,873</u>	<u>\$ 13,925</u>	<u>\$ 844,457</u>	<u>\$ 6,877,341</u>	<u>\$ 806,810</u>

NOTE 6 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated the amount for governmental activities will be approximately \$121,997 with \$-0- considered the short-term portion. Management has estimated the amount for business type activities will be approximately \$13,925 with \$-0- considered the short-term portion.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – FUND BALANCE

The following is a summary of designations of Fund Balance at June 30, 2015:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nonspendable				
Restricted:				
Compensated absences	90,000	-	-	90,000
Debt service	-	-	(39,276)	(39,276)
SFCC escrow	-	-	426,135	426,135
Construction	-	-	761,875	761,875
SEEK Capital outlay	-	-	661,352	661,352
Technology	-	39,769	-	39,769
Assigned:				
Site based carry forward	20,100	-	-	20,100
Site improvement	701,271	-	-	701,271
Construction	250,000	-	-	250,000
Furniture and fixtures	50,000	-	-	50,000
Committed:				-
Computers & related equipment	300,000	-	-	300,000
KETS matching	30,192	-	-	30,192
KISTA payments	21,025	-	-	21,025
Land acquisition	700,000	-	-	700,000
Gas tanks and pumps	500,000	-	-	500,000
Unassigned	<u>3,690,753</u>	<u>-</u>	<u>-</u>	<u>3,690,753</u>
	<u>\$ 6,353,341</u>	<u>\$ 39,769</u>	<u>\$ 1,810,086</u>	<u>\$ 8,203,196</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	KETS Match	\$ 22,219
General	Special Revenue	KETS Match	14,813
General	Day Care	Trigg Tots Overage	18,862
Capital Outlay	Debt Service	Debt payments	96,100
Building	Debt Service	Debt payments	46,909
Building	Debt Service	Debt payments	18,985
Building	Debt Service	Debt payments	<u>571,909</u>
			<u><u>\$ 789,797</u></u>

NOTE 9 – DEFICIT OPERATING FUND BALANCES

The Debt Service Fund had a deficit fund balance of \$39, 276 at June 30, 2015. Also, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

Construction Fund	<u><u>\$ (1,833,524)</u></u>
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NOTE 10 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Health insurance	\$ 2,235,687
Life insurance	3,923
Administrative fee	26,949
Health reimbursement account - HRA/dental/vision	<u>110,075</u>
	2,376,634
Federal reimbursements of health benefits	<u>(168,916)</u>
	2,207,718
Kentucky Teacher's Retirement System	1,414,068
Technology	57,883
SFCC debt service	<u>255,192</u>
	<u><u>\$ 3,934,861</u></u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – ON-BEHALF PAYMENTS, continued

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

Governmental activities:		
General Fund	\$	3,502,635
Debt Service Fund		255,192
Business-type activities:		
Food Service Fund		136,519
Day Care Fund		40,515
		40,515
	\$	3,934,861

NOTE 11 – PENSION PLANS

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

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

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

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum.

Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

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

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.0% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

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

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

District's proportionate share of the CERS net pension liability	\$ 3,996,200
Commonwealth's proportionate share of the KTRS net pension liability associated with the District.	<u>60,006,370</u>
	<u><u>\$ 64,002,570</u></u>

The net pension liability of the plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .120491%.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

For the year ended June 30, 2015, the District recognized pension expense of (\$134,028) related to CERS and \$1,414,068 related to KTRS. The District also recognized revenue of \$1,414,068 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions		
Net differences between projected and actual earnings on pension plan investments	-	436,000
Changes in proportion and difference between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	522,168	-
Total	\$ 522,168	\$ 436,000

The amount of \$447,028 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 87,200
2017	87,200
2018	87,200
2019	87,200
2020	-

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – 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:

	CERS	KTRS
Inflation	3.5%	3.5%
Projected salary increases	4.5%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.8%	7.5%

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

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S equity	45.00%	6.4%
Non U.S. equity	17.00%	6.5%
Fixed income	24.00%	1.6%
High yield bonds	4.00%	3.1%
Real estate	4.00%	5.8%
Alternatives	4.00%	6.8%
Cash	2.00%	1.5%
Total	<u>100.00%</u>	

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

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

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 5,144,222	\$ 3,996,200	\$ 2,817,995
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

NOTE 12 – CONTINGENCIES AND COMMITMENTS

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

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to, and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

In prior years, to obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Fund (KSBIT). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District paid an annual premium to each fund for coverage.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – RISK MANAGEMENT, continued

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

KSBIT is under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment for the KSBIT members. The approved assessment plan contained component which are subject to ongoing litigation. The payment plan from the assessment began subsequent to June 30, 2014. The District was notified in by the Kentucky School Board Insurance Trust of a liability in the amount of \$174,124 for workers compensation losses incurred by the Trust. The District made a 25% down payment in the amount of \$43,531 in August 2014. The District chose to pay the remaining liability of \$130,593 in six installments beginning August 31, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

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

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

NOTE 14 – COBRA

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

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

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2015

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Government Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaced the requirements of GASB 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers such as the District are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. Refer to the Defined Benefit section of Note 11 for further details.

As a result of implement this statement, the following line items have been added to the Statements of Net Position.

<u>Item</u>	<u>Government - Wide</u>	<u>School Food Service</u>	<u>Day Care</u>	<u>Total</u>
<u>June 30, 2015</u>				
Deferred outflows - pension plan	\$ 378,856	\$ 54,359	\$ 13,813	\$ 447,028
Deferred inflows - pension plan	295,608	42,414	10,778	348,800
Net pension liability	3,386,779	485,938	123,483	3,996,200
<u>June 30, 2014</u>				
Deferred outflows - pension plan	\$ 467,963	\$ 67,143	\$ 17,062	\$ 552,168
Deferred inflows - pension plan	369,510	53,018	13,472	436,000
Net pension liability	3,859,658	553,786	140,724	4,554,168

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES, continued

As this statement is applied retroactively, the financial statement for the year ended June 30, 2014 has been restated to apply the changes noted associated with the net pension liability.

The effect of this change is as follows:

	Government - Wide	School Food Service	Day Care	Total
Net position - June 30, 2014 as originally reported	\$ 19,351,160	\$ 1,459,113	\$ -	\$ 20,810,273
GASB 68 adjustment to record net pension liability as of June 30, 2014	<u>(3,417,120)</u>	<u>(490,291)</u>	<u>(124,589)</u>	<u>(4,032,000)</u>
Net position - June 30, 2014, restated	<u>\$ 15,934,040</u>	<u>\$ 968,822</u>	<u>\$ (124,589)</u>	<u>\$ 16,778,273</u>
Change in net position - June 30, 2015 as originally reported	\$ 121,850	\$ (125,854)	\$ -	\$ (4,004)
GASB 68 adjustment to record net pension expense for the year ended June 30, 2015 (recorded in employee benefits)	<u>113,589</u>	<u>16,298</u>	<u>4,141</u>	<u>134,028</u>
Change - June 30, 2015, restated	<u>\$ 235,439</u>	<u>\$ (109,556)</u>	<u>\$ 4,141</u>	<u>\$ 130,024</u>

NOTE 17 – UPCOMING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016 fiscal year.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 17 – UPCOMING PRONOUNCEMENTS, continued

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the District will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The District is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

NOTE 18 – ANNUAL FINANCIAL REPORT DIFFERENCES

The proprietary fund financial statements reflect the implementation of GASB 68 (see Note 16). The district has not recorded the implementation entries on their Audited Annual Financial Report (AFR) submitted to Kentucky Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 3,402,830	\$ 3,595,000	\$ 3,648,228	\$ 53,228
Motor vehicle	425,000	450,000	462,176	12,176
Utilities	875,000	875,000	878,183	3,183
Other	650,000	565,419	1,833,330	1,267,911
Student activities	-	120,472	181,220	60,748
Earnings on investments	30,000	30,000	39,115	9,115
Other local revenues	50,500	51,500	49,284	(2,216)
Intergovernmental - state	6,892,395	6,891,745	6,906,856	15,111
Intergovernmental - federal	1,500	100	-	(100)
Total revenues	12,327,225	12,579,236	13,998,392	1,419,156
EXPENDITURES				
Current:				
Instruction	7,651,567	8,062,302	7,556,334	505,968
Support services:				
Student	815,735	781,209	777,967	3,242
Instructional staff	657,908	663,184	593,339	69,845
District administration	1,182,785	1,225,758	803,083	422,675
School administration	777,193	812,721	801,889	10,832
Business	837,870	827,572	571,493	256,079
Plant operation and maintenance	1,665,020	1,666,995	1,541,932	125,063
Student transportation	1,843,006	1,842,767	1,076,294	766,473
Community service activities	40	1,536	404	1,132
Land/site acquisitions	805,956	805,956	-	805,956
Land improvements/acquisition	701,271	701,271	14,670	686,601
Site improvement	311,100	322,600	43,768	278,832
Debt service	25,785	25,785	25,785	-
Contingency	1,023,903	1,023,903	-	1,023,903
Total expenditures	18,299,139	18,763,559	13,806,958	4,956,601
Excess (deficit) of revenues over (under) expenditures	(5,971,914)	(6,184,323)	191,434	6,375,757
Other financing sources (uses)				
Proceeds from sale of fixed assets	8,500	6,000	2,446	(3,554)
Operating transfers in	-	-	-	-
Operating transfers out	37,032	(37,032)	(55,894)	(18,862)
Total other financing sources (uses)	45,532	(31,032)	(53,448)	(22,416)
Net change in fund balance	(5,926,382)	(6,215,355)	137,986	6,353,341
Fund balance, July 1, 2014	5,926,382	6,215,355	6,215,355	-
Fund balance, June 30, 2015	\$ -	\$ -	\$ 6,353,341	\$ 6,353,341

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amount</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 71	\$ 71
Intergovernmental - state	872,981	921,482	823,212	(98,270)
Intergovernmental - federal	1,442,320	1,391,266	1,305,807	(85,459)
Total revenues	<u>2,315,301</u>	<u>2,312,748</u>	<u>2,129,090</u>	<u>(183,658)</u>
EXPENDITURES				
Current:				
Instruction	1,358,507	1,433,002	1,238,270	194,732
Support services:				
Student	40,900	30,472	46,227	(15,755)
Instructional staff	577,559	508,277	521,165	(12,888)
District administration	20,000	20,000	20,000	-
School administration	41,311	41,311	41,870	(559)
Business	74,064	74,064	55,728	18,336
Student transportation	86,918	86,918	83,572	3,346
Community services	153,074	155,736	155,736	-
Total expenditures	<u>2,352,333</u>	<u>2,349,780</u>	<u>2,162,568</u>	<u>187,212</u>
Excess (deficit) of revenues over (under) expenditures	<u>(37,032)</u>	<u>(37,032)</u>	<u>(33,478)</u>	<u>3,554</u>
Other financing sources (uses)				
Operating transfers in	37,032	37,032	37,032	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>37,032</u>	<u>37,032</u>	<u>37,032</u>	<u>-</u>
Net change in fund balance	-	-	3,554	3,554
Fund balance, July 1, 2014	-	-	36,215	36,215
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,769</u>	<u>\$ 39,769</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY INFORMATION

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

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

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

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

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

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

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

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

Reconciliation to the General Fund

Revenues - budgetary basis	\$ 13,998,392
On-behalf payments	3,444,751
On-behalf technology	<u>57,884</u>
Total revenues - modified cash basis	<u><u>\$ 17,501,027</u></u>
Expenditures - budgetary basis	\$ 13,806,958
On-behalf payments	3,444,751
On-behalf technology	<u>57,884</u>
Total expenditures - modified cash basis	<u><u>\$ 17,309,593</u></u>

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
County Employees Retirement System**

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.120491%
District's proportionate share of the net pension liability	\$ 3,996,200
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 3,996,200
District's covered-employee payroll	\$ 2,530,114
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.31%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
County Employees Retirement System**

	Year Ended June 30, 2015
Contractually required contribution	\$ 447,028
Contributions in relation to the contractually required contribution	447,028
Contribution deficiency	-
District's covered-employee payroll	\$ 2,530,114
Contributions as a percentage of covered-employee payroll	17.67%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>60,006,370</u>
Total	<u>\$ 60,006,370</u>
District's covered-employee payroll	\$ 8,993,005
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.99%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
Contractually required contribution - On behalf payments - KDE	\$ 1,414,068
Contributions in relation to the contractually required contribution	<u>1,414,068</u>
Contribution deficiency	<u><u>-</u></u>
District's covered-employee payroll	\$ 8,993,005
Contributions as a percentage of covered-employee payroll	15.72%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**TRIGG COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
JUNE 30, 2015**

Changes of benefit terms – None.

Changes of assumptions – None.

OTHER SUPPLEMENTARY INFORMATION

**TRIGG COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS AND RESOURCES					
Cash and cash equivalents	<u>\$ 426,135</u>	<u>\$ 661,352</u>	<u>\$ (39,276)</u>	<u>\$ 761,875</u>	<u>\$ 1,810,086</u>
Total assets and resources	<u>\$ 426,135</u>	<u>\$ 661,352</u>	<u>\$ (39,276)</u>	<u>\$ 761,875</u>	<u>\$ 1,810,086</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	426,135	661,352	(39,276)	761,875	1,810,086
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>426,135</u>	<u>661,352</u>	<u>(39,276)</u>	<u>761,875</u>	<u>1,810,086</u>
Total liabilities and fund balances	<u>\$ 426,135</u>	<u>\$ 661,352</u>	<u>\$ (39,276)</u>	<u>\$ 761,875</u>	<u>\$ 1,810,086</u>

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ 505,751	\$ -	\$ -	\$ -	\$ 505,751
Earnings on investments	680	918	-	41	1,639
Intergovernmental - state	209,517	185,653	255,192	-	650,362
Total revenues	<u>715,948</u>	<u>186,571</u>	<u>255,192</u>	<u>41</u>	<u>1,157,752</u>
EXPENDITURES					
Building improvements	-	-	-	1,833,565	1,833,565
Debt service	-	-	989,095	-	989,095
Total expenditures	<u>-</u>	<u>-</u>	<u>989,095</u>	<u>1,833,565</u>	<u>2,822,660</u>
Excess (deficit) of revenues over (under) expenditures	<u>715,948</u>	<u>186,571</u>	<u>(733,903)</u>	<u>(1,833,524)</u>	<u>(1,664,908)</u>
Other financing sources (uses)					
Operating transfers in	-	-	733,903	-	733,903
Operating transfers out	(637,803)	(96,100)	-	-	(733,903)
Total other financing sources (uses)	<u>(637,803)</u>	<u>(96,100)</u>	<u>733,903</u>	<u>-</u>	<u>-</u>
Net change in fund balances	78,145	90,471	-	(1,833,524)	(1,664,908)
Fund balances, July 1, 2014	<u>347,990</u>	<u>570,881</u>	<u>(39,276)</u>	<u>2,595,399</u>	<u>3,474,994</u>
Fund balances, June 30, 2015	<u>\$ 426,135</u>	<u>\$ 661,352</u>	<u>\$ (39,276)</u>	<u>\$ 761,875</u>	<u>\$ 1,810,086</u>

**TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance			Cash Balance			Accounts	Accounts	Due to
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Student Groups	June 30, 2015	
TRIGG COUNTY HIGH SCHOOL:									
Athletics									
General	\$ 1,154	\$ 7,746	\$ 8,900	\$ -	\$ -	\$ -	\$ -	\$ -	
KHSCA - Coaches	-	750	750	-	-	-	-	-	
Baseball	840	5,673	6,278	235	-	-	-	235	
Boys' Basketball	1,000	11,284	12,177	107	-	-	-	107	
Cheerleading	-	2,264	2,264	-	-	-	-	-	
Cross Country	-	2,990	2,990	-	-	-	-	-	
Fishing	270	4,383	3,581	1,072	-	-	-	1,072	
Football	835	28,035	28,870	-	-	-	-	-	
Bowl Game	-	29,256	29,256	-	-	-	-	-	
Girls' Basketball	-	7,694	7,694	-	-	-	-	-	
Golf	-	5,505	4,550	955	-	-	-	955	
Power lifting	93	2,517	2,610	-	-	-	-	-	
Soccer (Boys)	173	4,203	4,364	12	-	-	-	12	
Soccer (Girls)	-	4,374	4,374	-	-	-	-	-	
Softball	-	6,441	6,441	-	-	-	-	-	
Track	-	2,287	2,287	-	-	-	-	-	
Volleyball	-	3,371	3,371	-	-	-	-	-	
Wrestling	-	918	906	12	-	-	-	12	
Wildcat Academy	-	-	-	-	-	-	-	-	
5th District Tournament	-	507	507	-	-	-	-	-	
Fundraising Boys' Basketball	935	12,472	9,056	4,351	-	-	-	4,351	
Fundraising Girls' Basketball	4	4,764	4,751	17	-	-	-	17	
Boys' Little League	1,062	7,672	6,474	2,260	-	-	-	2,260	
Lady Wildcat Basketball League	39	2,025	1,645	419	-	-	-	419	
Fundraising Cross Country	2,063	4,510	4,901	1,672	-	-	-	1,672	
Fundraising Softball	4,232	13,135	7,861	9,506	-	-	-	9,506	
Fundraising Volleyball	1,968	6,324	7,343	949	-	-	-	949	
Fundraising Boys' Soccer	4,563	10,997	11,648	3,912	-	-	-	3,912	
Fundraising Girls' Soccer	2,820	4,035	2,915	3,940	-	-	-	3,940	

continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
TRIGG COUNTY HIGH SCHOOL, continued							
Junior Class	4,289	4,809	7,373	1,725	-	-	1,725
Senior Class	2,445	4,651	7,096	-	-	-	-
Clubs							
Academic	-	459	459	-	-	-	-
Art	338	1,728	1,731	335	-	-	335
Beta	1	1,540	1,541	-	-	-	-
DECA	-	39,334	39,073	261	-	-	261
Drama	1,922	1,828	1,900	1,850	-	-	1,850
Environmental Science	1,383	243	899	727	-	-	727
Travel	182	332	343	171	-	-	171
FBLA	-	-	-	-	-	-	-
FEA	-	113	113	-	-	-	-
Fishing	-	-	-	-	-	-	-
FFA	4,658	32,200	31,783	5,075	-	-	5,075
FCCLA	-	1,231	1,231	-	-	-	-
Region FCCLA	-	-	-	-	-	-	-
Four-H	49	-	49	-	-	-	-
French	26	500	500	26	-	-	26
Gifted & Talented	29	10,770	10,785	14	-	-	14
HOSA	187	2,351	2,538	-	-	-	-
Interact	556	831	722	665	-	-	665
NHS	-	875	875	-	-	-	-
OM, Dunn	-	-	-	-	-	-	-
Relay for Life	584	-	-	584	-	-	584
Student Council	-	115	115	-	-	-	-
Black Hole	326	1,907	1,714	519	-	-	519
FCA	63	721	641	143	-	-	143
TSA/STLP	1,305	3,671	3,062	1,914	-	-	1,914
Web Design	3,968	460	135	4,293	-	-	4,293
Youth Leaders	235	720	393	562	-	-	562

continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Student Groups
							June 20, 2015
TRIGG COUNTY HIGH SCHOOL, continued							
Departments							
Agriculture	36	3,953	3,989	-	-	-	-
Ag Greenhouse	3,998	5,720	4,120	5,598	-	-	5,598
Annual	10,423	15,296	10,802	14,917	-	-	14,917
Art	-	1,565	1,516	49	-	-	49
Art & Humanities	548	1,445	569	1,424	-	-	1,424
Band	7,115	49,086	56,201	-	-	-	-
Business	3,727	2,797	533	5,991	-	-	5,991
Computer Lab	266	4,749	3,902	1,113	-	-	1,113
Drama	165	30	-	195	-	-	195
English	240	122	197	165	-	-	165
Library Fines	-	124	24	100	-	-	100
Guidance	727	5,652	6,379	-	-	-	-
Engineering	7,952	1,612	4,044	5,520	-	-	5,520
FACS - Advanced Foods	193	2,532	2,725	-	-	-	-
FACS - Advanced Parenting	162	642	666	138	-	-	138
FACS - Fashion & Interior	404	51	314	141	-	-	141
FACS - Life Skills	28	128	46	110	-	-	110
FMD	522	100	506	116	-	-	116
Advanced P.E.	-	-	-	-	-	-	-
Health Sciences	1,512	655	1,469	698	-	-	698
P.E. I	313	234	102	445	-	-	445
Nurse Fees	-	1,404	1,404	-	-	-	-
Math	1,077	1,855	1,570	1,362	-	-	1,362
Science	815	3,139	3,013	941	-	-	941
Photography	933	-	225	708	-	-	708
School Store	-	15,279	13,775	1,504	-	-	1,504
Prom	-	14,592	10,518	4,074	-	-	4,074
Special Olympic	-	1,286	890	396	-	-	396
Technology	160	6,350	6,510	-	-	-	-

continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, continued
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
TRIGG COUNTY HIGH SCHOOL, continued							
Departments, continued							
General Activity Fund	72	2,490	2,493	69	-	-	69
General Vending							
Teacher	9	2,293	2,030	272	-	-	272
Student	1,480	19,060	19,725	815	-	-	815
Textbook Rental	8,400	10,551	8,490	10,461	-	-	10,461
	<u>\$ 95,874</u>	<u>\$ 482,313</u>	<u>\$ 472,582</u>	<u>\$ 105,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,605</u>
Less: Interfund Transfers	-	(28,835)	(28,835)	-	-	-	-
Trigg County High School	95,874	453,478	443,747	105,605	-	-	105,605
Trigg County Middle School	37,224	85,454	79,902	42,776	-	-	42,776
Trigg County Intermediate School	15,428	25,611	25,881	15,158	-	-	15,158
Trigg County Primary School	21,444	42,682	41,613	22,513	-	-	22,513
Totals	<u>\$ 169,970</u>	<u>\$ 607,225</u>	<u>\$ 591,143</u>	<u>\$ 186,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,052</u>

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies***	84.010	310000214	\$ 507,291	
		310000213	51,087	
		310020214	<u>115,859</u>	\$ 674,237
Improving Teacher Quality State Grants	84.367	323000214		91,163
Vocational Education Basic Grants to States	84.048	371000214		25,966
Special Education Preschool Grants	** 84.173	380000214		45,642
Special Education Grants to States	** 84.027	381000214	371,207	
		381000213	<u>94</u>	371,301
Adult Education State Grant Program	84.002	3724		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	55211214	67,899	
		55211213	<u>26,813</u>	94,712
Race to the Top	84.413	396000211		<u>2,786</u>
Total U. S. Department of Education				<u>1,305,807</u>
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program	* 10.553	776000514	37,160	
		776000515	<u>133,083</u>	170,243
National School Lunch Program	* 10.555	775000214	105,354	
		775000215	367,517	
Noncash Assistance - Commodities (Note 4)		Fund 51	<u>59,385</u>	<u>532,256</u>
Total U.S. Department of Agriculture				<u>702,499</u>
Total Expenditures of Federal Awards				<u>\$ 2,008,306</u>

*Child Nutrition Cluster

**Special Education Cluster

***Major Program

See notes to Schedule of Expenditures of Federal Awards

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – COMMODITIES

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

INTERNAL CONTROL AND COMPLIANCE

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in 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 Trigg County School District (the "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 and have issued our report thereon dated November 12, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2015-001).

Compliance and Other Matters

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

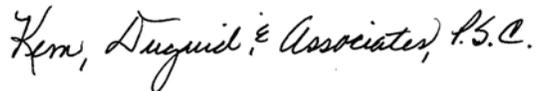
Trigg County School District's Response to Findings

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

Purpose of this Report

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

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



Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2015

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



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

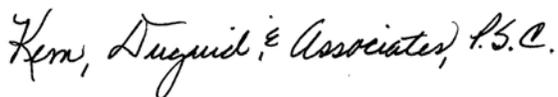
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

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

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



Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2015

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major federal programs:

Program Title	CFDA Number
Title 1	84.010

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

Auditee qualified as a low-risk auditee? X yes ___ no

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

2015-001 Internal Controls

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

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

None reported

**TRIGG COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2014-001 Internal Controls

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

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

Current Status – The finding was repeated for the fiscal year ending June 30, 2015..

MANAGEMENT COMMENTS FOR AUDIT

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



November 12, 2015

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

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

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2015, contains our report on the District's internal control. This letter does not affect our report dated November 12, 2015 on the financial statements of the District.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with District personnel and the implementation is currently being reviewed. We will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of management, the members of the Trigg County Board of Education, others within the District, and 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.

Respectfully,

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

Certified Public Accountants
Hopkinsville, Kentucky

**TRIGG COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

TRIGG COUNTY HIGH SCHOOL

- I. **Condition** – Cash receipts testing of a randomly chosen sample revealed several instances of students not signing the Multiple Receipt Form.

Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Red Book) requires that students third grade and above must sign the Multiple Receipt Form.

Cause – Oversight.

Effect – Noncompliance with *Accounting Procedures for Kentucky School Activity Funds* (Red Book).

Recommendation – The person using the Multiple Receipt Form should require all students third grade and above remitting money to sign the form.

Response – The school will comply with the recommendation.

**TRIGG COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

None