

SPENCER COUNTY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

**SPENCER COUNTY SCHOOL DISTRICT
AUDIT REPORT
YEAR ENDED JUNE 30, 2014**

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BROWN & COMPANY

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William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky 40071

Kentucky State Committee for School District Audits
Frankfort, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spencer County School District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendices I through IV of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Spencer County School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 33 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 inquires 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have issued our report dated September 26, 2014, 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 *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brown & Company CPA's

Bardstown, Kentucky
September 26, 2014

SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

The discussion and analysis of Spencer County School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$9,746,663.70 in 2014, including a construction fund cash balance of \$6,859.69 and a building fund cash balance of \$5,196,834.61. The ending cash balance for the District was \$8,549,291.27 in 2013, including a construction fund cash balance of \$17,969.66 and a building fund cash balance of \$4,487,883.60.
- No funds of the District have a deficit fund balance. However, the Special Revenue Fund, Construction Fund and Day Care Funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a reduction of fund balance in the amount of \$16,165, \$9,084 and \$3,293 respectively.
- The District purchased three new buses through the KISTA lease program during fiscal year 2014. After a review of the age, miles and maintenance of the current fleet, the District will be purchasing three new buses in fiscal year 2015 through the KISTA program. The District will continue to review the age and miles of its' fleet and purchase replacements accordingly.
- Technology is a part of our standards, curriculum documents, teaching and learning strategies and assessment instruments. The District invested \$475,267 in technology hardware purchases, interactive classroom devices and software during fiscal year 2014. An independent technology review team was invited to the District in the fall of 2014 to analysis our technology infrastructure and operations. The District will implement the recommendations of the team, including investing in upgrading hardware, offering more interactive devices and capabilities, offering professional development opportunities to the staff, and restructuring the technology department.
- The District experienced a slight growth of 1.03% in ADA during fiscal year 2014. The District anticipates similar growth in fiscal year 2015, with a possible growth rate of .98%.
- The Board, having approved the District facilities plan, entered into a contract to purchase 25.5078 acres in September 2014 for a purchase price of \$344,355.30. The Board has initiated a BG-1 for the purchase of the site and awaits the Kentucky Department of Education's approval to complete the transaction. Construction of a new elementary school to house 600 students is planned for the site. The Board has committed \$100,000 of their general fund balance on June 30, 2011 towards the cost of opening the new site.
- The District is one of the twenty-two districts to share in the benefits of a \$41 million federal Race to the Top grant. The four year grant is a collaborative effort of the Green River Regional Cooperative and the Ohio Valley Educational Cooperative. The grant will create services from preschool mentors working with Head Start and local child care centers to college and career readiness counselors in high schools of all participating districts. Participating schools are working with an initiative called "Leader in Me" a school model that improves achievement and school climate by building student self-confidence and responsibility.
- The Kentucky General Assembly passed Senate Bill 97, which raises the compulsory attendance age to 18, in its 2013 regular session. Adoption of this policy was voluntary until 55% of districts adopted the policy. Once 55% of the districts adopted the policy, the statute mandates the remaining districts must adopt and implement within four years. The Kentucky Board of Education adopted a resolution encouraging districts to be early adopters of the policy. The Spencer County Board of Education adopted the policy at its July 2, 2013 board meeting. The compulsory attendance age of 18 will be effective for the district with the 2015-2016 school year. A state grant in the amount of \$10,000 was awarded to the district for the planning and implementation of the change in compulsory attendance age.

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

- The District was awarded a 21st Century grant in the spring of 2014. The grant is designed to provide constructive learning activities during non-school hours, resulting in improved student achievement and social outcomes for our youth. Approximately 20% of the student enrollment participates in one or more of the activities offered.
- The District was a member of the Kentucky School Boards Insurance Trust (KSBIT) Workers Compensation Self-Insurance Pool and Property and Liability Self-Insurance Pool. Significant deficits of the Pools required the Board of Trustees of KSBIT, under the law, to take corrective action. The self-insurance Pools ceased coverage effective July 1, 2013. A court ordered assessment was issued to the district in July 2014 for its portion of the deficit and cost of the transfer of liability to a qualified insurer/reinsurer. The property and liability assessment and the workers compensation assessment totaled \$176,425 and \$309,747 respectively. Several payment options were extended to the district. The Board approved the full payment option of the \$176,425 and approved the payment option to pay 25% of the \$309,747 in fiscal year 2015 and pay the balance of \$232,310 in six annual installments of \$38,718.33. It is important to note that the Pool assessment does not include \$5.5 million in surplus notes currently in litigation. Once that case is resolved, an additional assessment is possible.
- The District is celebrating the results of the Kentucky Performance Rating for Educational Progress (K-PREP) released by the Kentucky Department of Education. The results show that Spencer County is a *proficient district*, and ranked in the 89 percentile of all districts in the Commonwealth.
- The District's General Fund had receipts of \$20.7 million, which primarily consisted of the state (SEEK), state on-behalf payments, property, motor vehicle and utility taxes. There was \$20.4 million in General Fund expenditures. The Consolidated District Improvement Plan (CDIP) includes a needs assessment document. The District allocated approximately \$71,600 in Section 7 funds to the schools during the 2014 school year to address the items identified by the school councils as a priority to improve instruction. The District continues to place a strong emphasis on career and college readiness. The district added a health science class to their vocational programs beginning with the 2013-14 school year. The recent results of the Brigance Kindergarten Readiness screening reflect 40% of our children are ready to enter kindergarten. The district will be strengthening their focus on addressing the need for early childhood education for all children.
- The District has no industrial tax base. The District's property tax base is derived from residential growth and assessments. The property assessment value grew .15% in fiscal year 2014. The District levied a tax rate of 61.5 cents per \$100 generating a 2.2% increase in property tax revenue.
- Bonds are issued as the District constructs or renovates facilities consistent with a long-range plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased \$1,565,000 during the current fiscal year.
- As the District enters into the fiscal year 2015, budget concerns are focused on early childhood education, college and career readiness programs, staffing needs, competitive salaries, increased employee benefits, instructional material needs, increased operational costs and pursuing the District vision for technology based learning. As of the year ended June 30, 2014, the District sustained a stable financial status attributed to conservative spending practices. It is evident the District has effectively and efficiently managed the resources, and at the same time continues to make progress toward education proficiency.

USING THIS ANNUAL REPORT

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.

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service operation and the day care operation. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21-32 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16.7 million as of June 30, 2014.

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

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

SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

Net Position for the periods ending June 30, 2013 and 2014
(Table 1)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current and Other Assets	\$10,661,323	\$ 11,690,830	\$ 257,342	\$ 322,287	\$10,918,665	\$ 12,013,117
Capital Assets	33,055,396	32,089,459	305,129	253,541	33,360,525	32,343,000
Total Assets	\$43,716,719	\$ 43,780,289	\$ 562,471	\$ 575,828	\$44,279,190	\$ 44,356,117
Long-Term Debt	\$26,582,995	\$ 25,185,642	\$ -	\$ -	\$26,582,995	\$ 25,185,642
Other Liabilities	2,589,002	2,228,884	17,287	29,081	2,606,289	2,257,965
Total Liabilities	\$29,171,997	\$ 27,414,526	\$ 17,287	\$ 29,081	\$29,189,284	\$ 27,443,607
Net Position						
Investment in Capital Assets	\$ 4,919,524	\$ 5,440,672	\$ 305,129	\$ 253,541	\$ 5,224,653	\$ 5,694,213
Restricted - Sick Leave	287,745	-	-	-	287,745	-
Restricted - Vacation	63,034	70,140	-	-	63,034	70,140
Restricted - SFCC	4,487,884	4,487,884	-	-	4,487,884	4,487,884
Restricted - Construction	15,943	6,860	-	-	15,943	6,860
Restricted - Other	77,501	962,840	240,054	293,207	317,555	1,256,047
Committed - Site Based	66,614	42,143	-	-	66,614	42,143
Committed - New Site	100,000	100,000	-	-	100,000	100,000
Unassigned	4,526,477	5,255,224	-	-	4,526,477	5,255,224
Total Net Position	\$14,544,722	\$ 16,365,763	\$ 545,183	\$ 546,748	\$15,089,905	\$ 16,912,511

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2014, net of inter-fund transfers and bond proceeds, were \$27.8 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$413,000 more than budget or approximately 2%.
- General fund budget expenditures to actual varied significantly in Instruction. The variance for instructional expenses is caused by the state on-behalf payments detailed above.

SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

Summary of Changes in Net Position for the periods ending June 30, 2013 and 2014
 (Table 2)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenues:						
Charges for services	\$ 20,290	\$ 23,007	\$ 782,144	\$ 723,513	\$ 802,434	\$ 746,520
Operating grants and contributions	17,315,229	17,624,828	981,175	1,023,142	18,296,404	18,647,970
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	6,168,860	6,394,934	-	-	6,168,860	6,394,934
Motor vehicle taxes	685,056	763,412	-	-	685,056	763,412
Utility taxes	749,753	770,656	-	-	749,753	770,656
Investment earnings	41,582	40,483	822	891	42,404	41,374
Miscellaneous	223,480	433,255	-	1,183	223,480	434,438
Total Revenues	\$25,204,250	\$26,050,575	\$1,764,141	\$1,748,729	\$26,968,391	\$27,799,304
Expenses						
Program Activities:						
Instruction	\$12,031,033	\$12,536,322	\$ -	\$ -	\$12,031,033	\$12,536,322
Student support	1,045,990	1,061,665	-	-	1,045,990	1,061,665
Instructional staff support	1,530,744	1,532,729	-	-	1,530,744	1,532,729
District administrative support	1,078,623	677,336	-	-	1,078,623	677,336
School administrative support	1,433,795	1,471,014	-	-	1,433,795	1,471,014
Business support	715,169	645,412	-	-	715,169	645,412
Plant operation and maintenance	1,855,911	1,914,886	-	-	1,855,911	1,914,886
Student transportation	2,036,840	2,039,402	-	-	2,036,840	2,039,402
Community service activities	161,584	179,234	-	-	161,584	179,234
Other	265,257	79,819	-	-	265,257	79,819
Interest cost	980,633	938,232	-	-	980,633	938,232
Depreciation & Amortization	1,335,132	1,328,158	-	-	-	-
Business-Type Activities:						
Food service	-	-	1,551,714	1,525,158	1,551,714	1,525,158
Day Care Operations	-	-	255,429	222,006	255,429	222,006
Total Expenses	\$24,470,711	\$24,404,209	\$1,807,143	\$1,747,164	\$26,277,854	\$26,151,373
Increase (decrease) in net position	\$ 733,539	\$ 1,646,366	\$ (43,002)	\$ 1,565	\$ 690,537	\$ 1,647,931

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Governmental Activities

Instruction comprises 51% of governmental program expenses. Support services expense make up 22% of government expenses. Student transportation and plant operations total 16% of governmental expenses. The remaining expenses for facility acquisition, community service activities, and interest account for the final 11% of total governmental expense.

Business-Type Activities

The business-type activities include the food service and day care operations. These programs had total revenues of \$1,748,729 and expenses of \$1,747,164 for fiscal year 2014. Of the revenues, \$723,513 was charges for services, and \$1,023,142 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$25.8 million and expenditures and other financing uses of \$25.1 million.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

Capital Assets

At the end of fiscal year 2014 the School District had \$32.3 million invested in land, buildings, equipment, and vehicles. Of this total, \$32.0 million were in governmental activities. Table 3 shows fiscal year 2013 and 2014 balances.

**Capital Assets at June 30, 2013 and 2014
Net of Depreciation
(Table 3)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Land	\$ 316,383	\$ 316,383	\$ -	\$ -	\$ 316,383	\$ 316,383
Buildings and improvements	30,922,441	30,091,381	-	-	30,922,441	30,091,381
Machinery & Equipment	1,816,572	1,681,695	305,129	253,541	2,121,701	1,935,236
Construction In Progress	-	-	-	-	-	-
Total	\$33,055,396	\$ 32,089,459	\$305,129	\$253,541	\$ 33,360,525	\$32,343,000

**SPENCER COUNTY SCHOOL DISTRICT – TAYLORSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

**Changes in Capital Assets for the periods ended June 30, 2013 and 2014
(Table 4)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Beginning Balance	\$ 33,690,125	\$ 33,055,396	\$ 358,011	\$ 305,129	\$ 34,048,136	\$ 33,360,525
Additions	631,771	288,975	-	-	631,771	288,975
Retirements	(3,702)	(1,675)	(558)	-	(4,260)	(1,675)
Depreciation	(1,262,798)	(1,253,237)	(52,324)	(51,588)	(1,315,122)	(1,304,825)
Total	<u>\$ 33,055,396</u>	<u>\$ 32,089,459</u>	<u>\$ 305,129</u>	<u>\$ 253,541</u>	<u>\$ 33,360,525</u>	<u>\$ 32,343,000</u>

Debt

At June 30, 2014, the School District had \$26,648,787 in bonds outstanding; of this amount \$2,865,392 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$1,740,761 is due within one year.

District Challenges for the Future

Spencer County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government.

Spencer County School District will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1–June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2014–2015 with a contingency greater than the required minimum of 2%. Projected budgetary shortfalls at the state level are a concern for the 2014-2015 school year.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Vicki Goodlett, Spencer County Board of Education, 207 West Main Street, Taylorsville, KY 40071 or by phone at 502-477-3250.

SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 9,472,133.14	\$ 274,530.56	\$ 9,746,663.70
Inventory	-	36,408.54	36,408.54
Prepaid Expenditures	3,732.69	-	3,732.69
Accounts Receivable	455,020.48	11,348.34	466,368.82
Total Current Assets	\$ 9,930,886.31	\$ 322,287.44	\$ 10,253,173.75
<u>Noncurrent Assets</u>			
Capital Assets	\$ 45,685,462.25	\$ 915,031.56	\$ 46,600,493.81
Accumulated Depreciation	(13,596,003.23)	(661,490.69)	(14,257,493.92)
Total Noncurrent Assets	\$ 32,089,459.02	\$ 253,540.87	\$ 32,342,999.89
<u>Deferred Outflows of Resources</u>			
Bond Refinance Fees	\$ 1,150,511.77	-	\$ 1,150,511.77
Prepaid Bond Payments In Escrow	609,432.03	-	609,432.03
Total Other Assets	\$ 1,759,943.80	-	\$ 1,759,943.80
Total Assets	<u>\$ 43,780,289.13</u>	<u>\$ 575,828.31</u>	<u>\$ 44,356,117.44</u>
Liabilities & Net Position			
<u>Current Liabilities</u>			
Accounts Payable	\$ 401,938.67	\$ 7,438.33	\$ 409,377.00
Other Accrued Expenses	18,181.28	8,756.63	26,937.91
Unearned Revenue	68,002.84	12,885.79	80,888.63
Current Portion Of Bond Obligations	1,740,761.00	-	1,740,761.00
Current Portion Of Accrued Sick Leave	-	-	-
Total Current Liabilities	\$ 2,228,883.79	\$ 29,080.75	\$ 2,257,964.54
<u>Noncurrent Liabilities</u>			
Noncurrent Portion Of Bond Obligations	\$ 24,908,026.00	-	\$ 24,908,026.00
Noncurrent Portion Of Accrued Sick Leave	277,616.14	-	277,616.14
Total Noncurrent Liabilities	\$ 25,185,642.14	-	\$ 25,185,642.14
Total Liabilities	<u>\$ 27,414,525.93</u>	<u>\$ 29,080.75</u>	<u>\$ 27,443,606.68</u>
<u>Net Position</u>			
Invest In Capital Assets, Net Of Rel. Debt	\$ 5,440,672.02	\$ 253,540.87	\$ 5,694,212.89
Restricted - Vacation	70,140.20	-	70,140.20
Restricted - SFCC	4,487,883.60	-	4,487,883.60
Restricted - Construction	6,859.69	-	6,859.69
Restricted - Other	962,840.57	293,206.69	1,256,047.26
Restricted - Site Based Carryforward	42,143.00	-	42,143.00
Restricted - New Site Costs	100,000.00	-	100,000.00
Unrestricted	5,255,224.12	-	5,255,224.12
Total Net Position	<u>\$ 16,365,763.20</u>	<u>\$ 546,747.56</u>	<u>\$ 16,912,510.76</u>

See independent auditor's report and accompanying notes to financial statements.

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

	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<u>FUNCTIONS / PROGRAMS</u>	Expenses					
Governmental Activities:						
Instruction	\$ 12,536,322.42	\$ 17,400.00	\$ 9,721,454.51	\$ (2,797,467.91)	\$ -	\$ (2,797,467.91)
Support Services:						
Student	1,061,664.44	-	823,281.52	(238,382.92)	-	(238,382.92)
Instruction Staff	1,532,728.71	-	1,188,574.44	(344,154.27)	-	(344,154.27)
District Administration	677,336.22	-	525,249.19	(152,087.03)	-	(152,087.03)
School Administration	1,471,013.88	-	1,140,716.87	(330,297.01)	-	(330,297.01)
Business	645,412.10	-	500,493.22	(144,918.88)	-	(144,918.88)
Plant Operation & Maintenance	1,914,886.35	5,607.00	1,484,923.56	(424,355.79)	-	(424,355.79)
Student Transportation	2,039,401.69	-	1,590,541.60	(448,860.09)	-	(448,860.09)
Adult Education Services	69,360.07	-	53,786.17	(15,573.90)	-	(15,573.90)
Community Service Activities	179,234.06	-	138,989.39	(40,244.67)	-	(40,244.67)
Other	10,459.20	-	8,110.72	(2,348.48)	-	(2,348.48)
Interest On Long-Term Debt	938,232.26	-	448,706.85	(489,525.41)	-	(489,525.41)
Depreciation & Amortization	1,328,157.50	-	-	(1,328,157.50)	-	(1,328,157.50)
Total Governmental Activities	\$ 24,404,208.90	\$ 23,007.00	\$ 17,624,828.04	\$ (6,756,373.86)	\$ -	\$ (6,756,373.86)
Business-Type Activities:						
Food Service	\$ 1,525,158.17	\$ 542,150.98	\$ 986,231.24	\$ -	\$ 3,224.05	\$ 3,224.05
Day Care Operations	222,006.09	181,361.91	36,910.94	-	(3,733.24)	(3,733.24)
Total Business-Type Activities	\$ 1,747,164.26	\$ 723,512.89	\$ 1,023,142.18	\$ -	\$ (509.19)	\$ (509.19)
Total Primary Government	\$ 26,151,373.16	\$ 746,519.89	\$ 18,647,970.22	\$ (6,756,373.86)	\$ (509.19)	\$ (6,756,883.05)
General Revenues:						
Taxes:						
		Property Taxes		\$ 6,394,933.69	\$ -	\$ 6,394,933.69
		Motor Vehicles Taxes		763,411.92	-	763,411.92
		Utility Taxes		770,656.09	-	770,656.09
		Investment Earnings		40,483.48	890.39	41,373.87
		Miscellaneous		433,255.07	1,183.31	434,438.38
		Change In Net Position		\$ 1,646,366.39	\$ 1,564.51	\$ 1,647,930.90
		Net Position - Beginning		14,544,722.81	545,183.05	15,089,905.86
		Prior Period Adjustment		174,674.00	-	-
		Net Position - Ending		\$ 16,365,763.20	\$ 546,747.56	\$ 16,912,510.76

SPENCER COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets & Resources:					
Cash & Cash Equivalents	\$ 4,115,378.50	\$ (41,547.73)	\$ 6,859.69	\$ 5,391,442.68	\$ 9,472,133.14
Prepaid Expenditures	3,732.69	-	-	-	3,732.69
Accounts Receivable	242,395.45	212,625.03	-	-	455,020.48
Total Assets & Resources	<u>\$ 4,361,506.64</u>	<u>\$ 171,077.30</u>	<u>\$ 6,859.69</u>	<u>\$ 5,391,442.68</u>	<u>\$ 9,930,886.31</u>
Liabilities & Fund Balances:					
Liabilities:					
Accounts Payable	\$ 107,978.62	\$ 38,044.24	\$ -	\$ 2,053.81	\$ 148,076.67
Accrued Salaries & Benefits	14,486.36	3,694.92	-	-	18,181.28
Unearned Revenue	-	68,002.84	-	-	68,002.84
Total Liabilities	<u>\$ 122,464.98</u>	<u>\$ 109,742.00</u>	<u>\$ -</u>	<u>\$ 2,053.81</u>	<u>\$ 234,260.79</u>
Fund Balances:					
Restricted For Sick Leave	\$ 277,616.14	\$ -	\$ -	\$ -	\$ 277,616.14
Restricted For SFCC	-	61,335.30	6,859.69	4,487,883.60	4,487,883.60
Restricted Other	-	-	-	901,505.27	969,700.26
Nonspendable For Prepaids	3,732.69	-	-	-	3,732.69
Committed For Site Based Carryforward	42,143.00	-	-	-	42,143.00
Committed For New Site Costs	100,000.00	-	-	-	100,000.00
Assigned For Purchase Obligations	7,395.00	-	-	-	7,395.00
Assigned Other	486,172.00	-	-	-	486,172.00
Assigned For Vacation	70,140.20	-	-	-	70,140.20
Unassigned	3,251,842.63	-	-	-	3,251,843
Total Fund Balances	<u>\$ 4,239,041.66</u>	<u>\$ 61,335.30</u>	<u>\$ 6,859.69</u>	<u>\$ 5,389,388.87</u>	<u>\$ 9,696,625.52</u>
Total Liabilities & Fund Balances	<u>\$ 4,361,506.64</u>	<u>\$ 171,077.30</u>	<u>\$ 6,859.69</u>	<u>\$ 5,391,442.68</u>	<u>\$ 9,930,886.31</u>

See independent auditor's report and accompanying notes to financial statements.

**SPENCER COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balance per fund financial statements	\$ 9,696,625.52
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Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	33,849,402.82
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(27,180,265.14)</u>
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Net position for governmental activities	<u><u>\$ 16,365,763.20</u></u>
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SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From Local Sources:					
Taxes:					
Property	\$ 4,632,163.69	\$ -	\$ -	\$ 1,762,770.00	\$ 6,394,933.69
Motor Vehicle	763,411.92	-	-	-	763,411.92
Utilities	770,656.09	-	-	-	770,656.09
Tuition And Fees	17,400.00	-	-	-	17,400.00
Transportation	4,959.32	-	-	-	4,959.32
Earnings On Investments	22,825.09	28.92	-	17,629.47	40,483.48
Other Local Revenues	124,046.71	90,226.84	-	198,359.35	412,632.90
Intergovernmental - State	14,050,621.59	941,873.71	-	1,401,507.85	16,394,003.15
Intergovernmental - Federal	36,650.94	1,208,421.51	-	-	1,245,072.45
Total Revenues	\$ 20,422,735.35	\$ 2,240,550.98	\$ -	\$ 3,380,266.67	\$ 26,043,553.00
Expenditures:					
Instruction	\$ 11,126,913.90	\$ 1,425,744.23	\$ -	\$ 2,688.17	\$ 12,555,346.30
Support Services:					
Student	968,277.77	93,386.67	-	-	1,061,664.44
Instruction Staff	1,099,073.09	430,611.11	-	3,044.51	1,532,728.71
District Administration	677,336.22	-	-	-	677,336.22
School Administration	1,438,930.95	32,082.93	-	-	1,471,013.88
Business	622,693.70	22,718.40	-	-	645,412.10
Plant Operation & Maintenance	1,926,941.85	-	-	-	1,926,941.85
Student Transportation	2,252,246.13	54,880.56	-	-	2,307,126.69
Facilities Acquisition & Maintenance	-	-	9,083.77	-	9,083.77
Community Service Activities	2,210.70	177,023.36	-	-	179,234.06
Adult Education	40.29	69,319.78	-	-	69,360.07
Debt Service	-	-	-	-	-
Total Expenditures	\$ 20,328,618.35	\$ 2,305,767.04	\$ 9,083.77	\$ 2,473,028.72	\$ 25,122,230.56
Excess (Deficit) Of Revenues Over Expenditures	\$ 94,117.00	\$ (65,216.06)	\$ (9,083.77)	\$ 901,505.27	\$ 921,322.44
Other Financing Sources (Uses)					
Sale Or Comp For Loss Of Assets	\$ 7,022.29	-	-	-	\$ 7,022.29
Bond / Lease Proceeds	255,225.00	-	-	-	255,225.00
Operating Transfers In	5,612.83	54,663.56	-	2,024,321.87	2,084,598.26
Operating Transfers Out	(54,663.56)	(5,612.83)	-	(2,024,321.87)	(2,084,598.26)
Total Other Financing Sources (Uses)	\$ 213,196.56	\$ 49,050.73	\$ -	\$ -	\$ 262,247.29
Excess (Deficit) Of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ 307,313.56	\$ (16,165.33)	\$ (9,083.77)	\$ 901,505.27	\$ 1,183,569.73
Fund Balance, July 1, 2013	3,931,728.10	77,500.63	15,943.46	4,487,883.60	8,513,055.79
Fund Balance, June 30, 2014	\$ 4,239,041.66	\$ 61,335.30	\$ 6,859.69	\$ 5,389,388.87	\$ 9,696,625.52

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

Net change in total fund balances per fund financial statements	\$ 1,183,569.73
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays and the gain from the sale of assets exceeds depreciation expense for the year.	(1,071,999.80)
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net assets and interest expense on the statement of activities. The difference is the amount of principal payment made for the year.	<u>1,534,040.25</u>
Change in net position of governmental activities	<u><u>\$ 1,646,366.39</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	Food Service Fund	Day Care Fund	Totals
Assets			
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 246,419.37	\$ 28,111.19	\$ 274,530.56
Inventory	36,408.54	-	36,408.54
Accounts Receivable	9,523.08	1,825.26	11,348.34
Investments	-	-	-
Total Current Assets	<u>\$ 292,350.99</u>	<u>\$ 29,936.45</u>	<u>\$ 322,287.44</u>
<u>Noncurrent Assets</u>			
Capital Assets	\$ 913,612.56	\$ 1,419.00	\$ 915,031.56
Accumulated Depreciation	<u>(660,591.99)</u>	<u>(898.70)</u>	<u>(661,490.69)</u>
Total Noncurrent Assets	<u>\$ 253,020.57</u>	<u>\$ 520.30</u>	<u>\$ 253,540.87</u>
Total Assets	<u><u>\$ 545,371.56</u></u>	<u><u>\$ 30,456.75</u></u>	<u><u>\$ 575,828.31</u></u>
Liabilities & Net Position			
<u>Current Liabilities</u>			
Accounts Payable	\$ 6,247.84	\$ 1,190.49	\$ 7,438.33
Other Accrued Expenses	1,773.28	6,983.35	8,756.63
Unearned Revenues	<u>11,642.21</u>	<u>1,243.58</u>	<u>12,885.79</u>
Total Current Liabilities	<u><u>\$ 19,663.33</u></u>	<u><u>\$ 9,417.42</u></u>	<u><u>\$ 29,080.75</u></u>
<u>Net Position</u>			
Invested In Capital Assets, Net Of Related Debt	\$ 253,020.57	\$ 520.30	\$ 253,540.87
Restricted	<u>272,687.66</u>	<u>20,519.03</u>	<u>293,206.69</u>
Total Net Position	<u><u>\$ 525,708.23</u></u>	<u><u>\$ 21,039.33</u></u>	<u><u>\$ 546,747.56</u></u>

**SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Totals</u>
Operating Revenues:			
Lunchroom Sales	\$ 542,150.98	\$ -	\$ 542,150.98
Other Operating Revenues	839.16	181,706.06	182,545.22
	<u>542,990.14</u>	<u>181,706.06</u>	<u>724,696.20</u>
Operating Expenses:			
Salaries & Benefits	\$ 654,820.04	\$ 209,556.15	\$ 864,376.19
Materials & Supplies	771,093.51	7,986.55	779,080.06
Depreciation	51,303.98	283.80	51,587.78
Other Operating Expenses	47,940.64	4,179.59	52,120.23
	<u>1,525,158.17</u>	<u>222,006.09</u>	<u>1,747,164.26</u>
Income (Loss) From Operations	<u>\$ (982,168.03)</u>	<u>\$ (40,300.03)</u>	<u>\$ (1,022,468.06)</u>
Non-Operating Revenues (Expenses):			
Federal Grants	\$ 812,039.38	\$ -	\$ 812,039.38
State Grants	174,191.86	36,910.94	211,102.80
Interest Income	794.22	96.17	890.39
Loss On Retirement Of Asset	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 987,025.46</u>	<u>\$ 37,007.11</u>	<u>\$ 1,024,032.57</u>
Net Income (Loss)	<u>\$ 4,857.43</u>	<u>\$ (3,292.92)</u>	<u>\$ 1,564.51</u>
Retained Earnings, July 1, 2013	<u>520,850.80</u>	<u>24,332.25</u>	<u>545,183.05</u>
Retained Earnings, June 30, 2014	<u><u>\$ 525,708.23</u></u>	<u><u>\$ 21,039.33</u></u>	<u><u>\$ 546,747.56</u></u>

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

Cash Flows From Operating Activities

Cash Received From:	
Lunchroom Sales	\$ 621,767.47
Other Operating Revenues	182,545.22
Cash Paid To / For:	
Employees	\$ (864,376.19)
Supplies	(755,564.98)
Other Activities	(52,120.23)
	<hr/>
Net Cash Provided By Operating Activities	\$ (867,748.71)

Cash Flows From Investing Activities & Other Non-Operating Revenues

Receipt Of Interest Income	\$ 890.39
Federal & State Grants	1,023,142.18
Purchase Of New Equipment	-
	<hr/>
Net Cash Provided By Investing Activities	\$ 1,024,032.57

Net Increase In Cash & Cash Equivalents

\$ 156,283.86

Balances, Beginning Of Year

118,246.70

Balances, End Of Year

\$ 274,530.56

**Reconciliation Of Operating Income (Loss) To Net Cash
Provided (Used) By Operating Activities**

Operating Income	\$ (1,022,468.06)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation	51,587.78
Change In Assets & Liabilities	
Receivables	79,616.49
Inventory	11,721.71
Accounts Payable	11,793.37
	<hr/>
Net Cash Provided By Operating Activities	<hr/> <hr/> \$ (867,748.71)

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

	<u>Agency Funds</u>
Assets	
Cash & Cash Equivalents	\$ 171,545.00
Due From Other Funds	<u>-</u>
Total Assets	\$ 171,545.00
Liabilities	
Accounts Payable	\$ -
Due To Student Groups	<u>171,545.00</u>
Total Liabilities	\$ 171,545.00
Net Position	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statement.

**SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2014**

	Agency Funds
Additions	
Net Interest	\$ -
Deductions	
Benefits paid	<u>\$ -</u>
Change In Net Position	\$ -
Net Position, Beginning Of Year	<u>\$ -</u>
Net Position, End Of Year	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to financial statements.