Todd County School District

Financial Statements

June 30, 2015

Todd County School District
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REPORT

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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Todd 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 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*. 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 auditors' 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 District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension information on pages 4 through 16 and 61 through 66 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 inquires, 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 and other information 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 other information, 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 basis 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 other information 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 *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of Todd County School District's internal control over financial reporting and 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 the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Bowling Green, KY
October 30, 2015

FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was $3,632,802. The ending General Fund balance was $3,874,078.

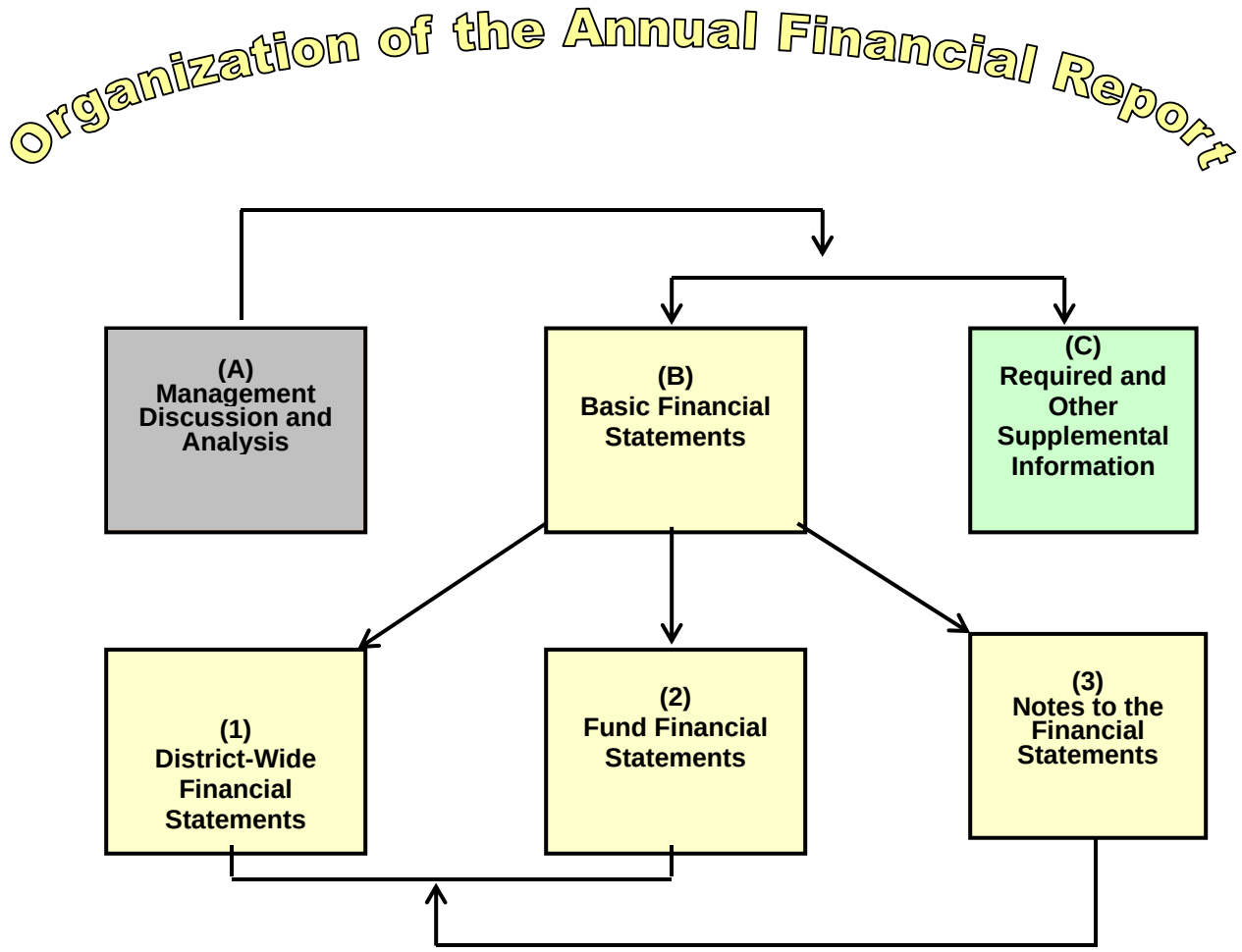
- The beginning Special Revenue Fund balance for the District was $11,043. The ending Special Revenue Fund balance was $15,622.

- The beginning balance for Other Governmental Funds was $140,541. The ending balance for Other Governmental Funds was $155,805.

- Although Plant Operations and Maintenance expenses decreased $56,537 from last year, they are still up significantly from previous years. Compared to 6/30/13, the expenses are up $265,812, which is a 16% increase. Most of the increase is related to HVAC repairs and other construction issues related to the 2010 renovation of the elementary schools.

Overview of the Annual Financial Report (AFR)

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



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the

short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 32 through 60 of this report.

Reporting the School District as a Whole

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

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

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

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's School Nutrition Program is reported as business activities. These activities are funded through fees, federal grants, and federal

commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $9,389,269 as of June 30, 2015. This was a decrease of $3,701,132 over the previous year largely due to implementing GASB 68.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net of related debt was $9,837,416 (a decrease of $44,251 over the previous year). 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.

Government-wide financial statements can be found on pages 17 through 20 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds — Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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 and the fiscal agent fund for English as a Second Language. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 21 through 31 of this report.

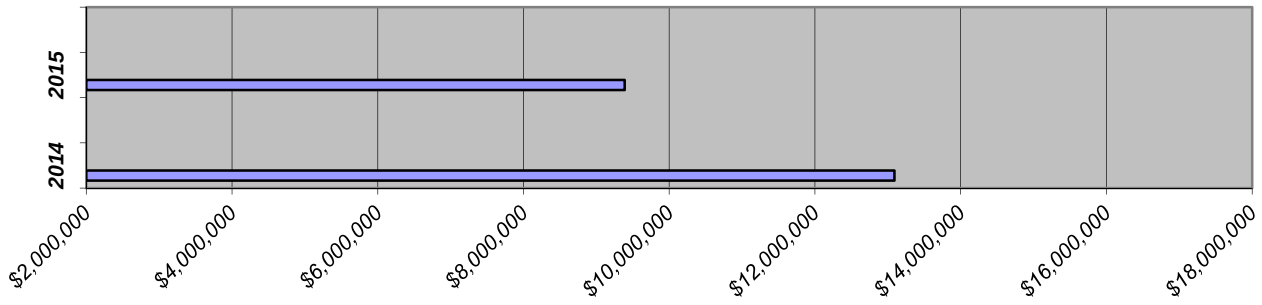
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Current and Other Assets	$3,978,121	$4,191,627	$407,661	$390,105	$4,385,782	$4,581,732	4.5%
Capital Assets	$27,509,540	$26,696,093	$377,223	$337,771	$27,886,763	$27,033,864	-3.1%
Total Assets	$31,487,661	$30,887,720	$784,884	$727,876	$32,272,545	$31,615,596	-2.0%
Deferred Outflows of Resources	$417,772	$1,013,487	$0	$67,936	$417,772	$1,081,423	100.0%
Long Term Liabilities	$17,603,778	$20,431,834	$0	$550,122	$17,603,778	$20,981,956	19.2%
Other Liabilities	$1,995,552	$1,870,184	$586	$610	$1,996,138	$1,870,794	-6.3%
Total Liabilities	$19,599,330	$22,302,018	$586	$550,732	$19,599,916	$22,852,750	16.6%
Deferred Inflows of Resources	$0	$393,620	$0	$61,380	$0	$455,000	100.0%
Net Position							
Investment in Capital Assets (net of debt)	$9,504,444	$9,499,645	$377,223	$337,771	$9,881,667	$9,837,416	-0.4%
Restricted	$151,584	$171,427			$151,584	$171,427	13.1%
Unrestricted	$2,650,075	-$465,503	$407,075	-$154,071	$3,057,150	-$619,574	-120.3%
Total Net Position	$12,306,103	$9,205,569	$784,298	$183,700	$13,090,401	$9,389,269	-28.3%

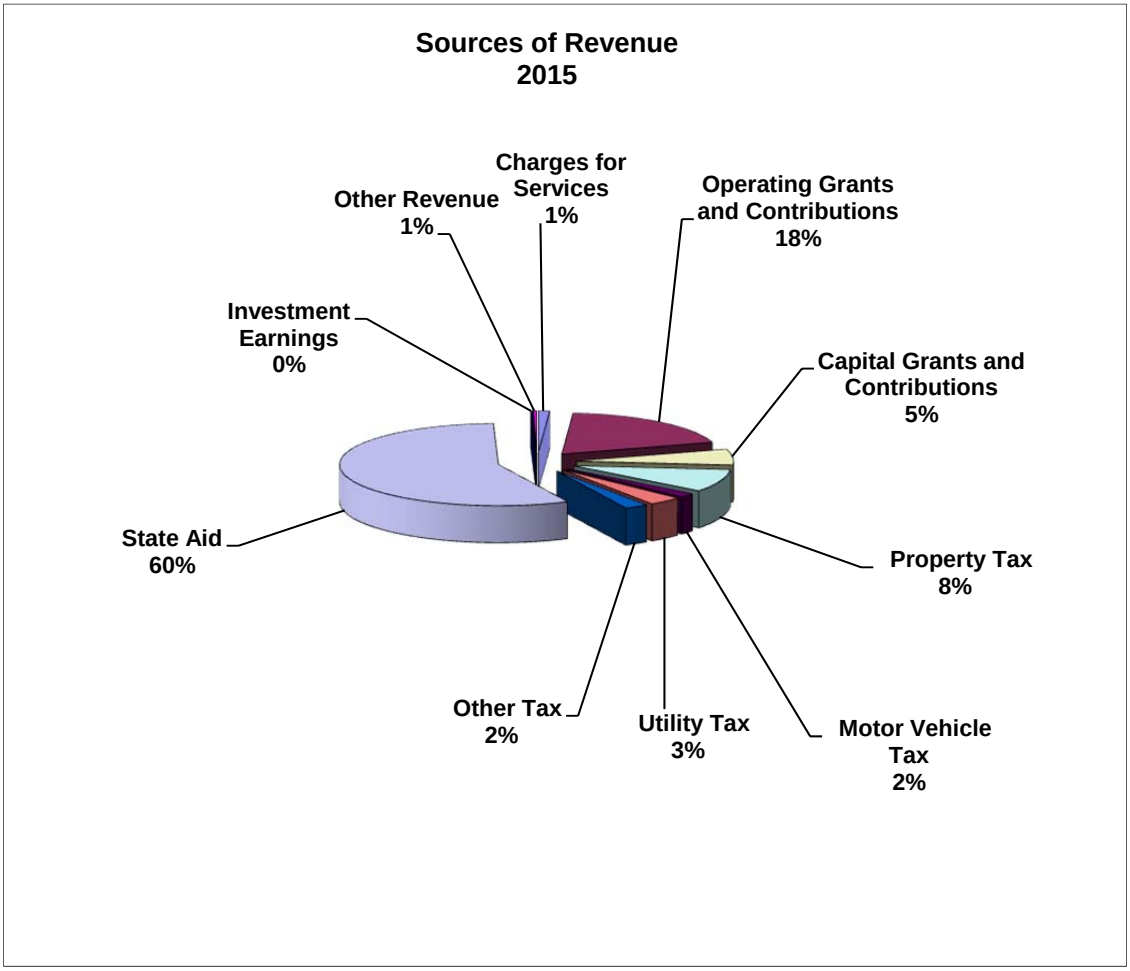
At year-end, assets exceeded liabilities by $9,389,269.

Todd County Net Position Decreased by 28% or $3,701,132



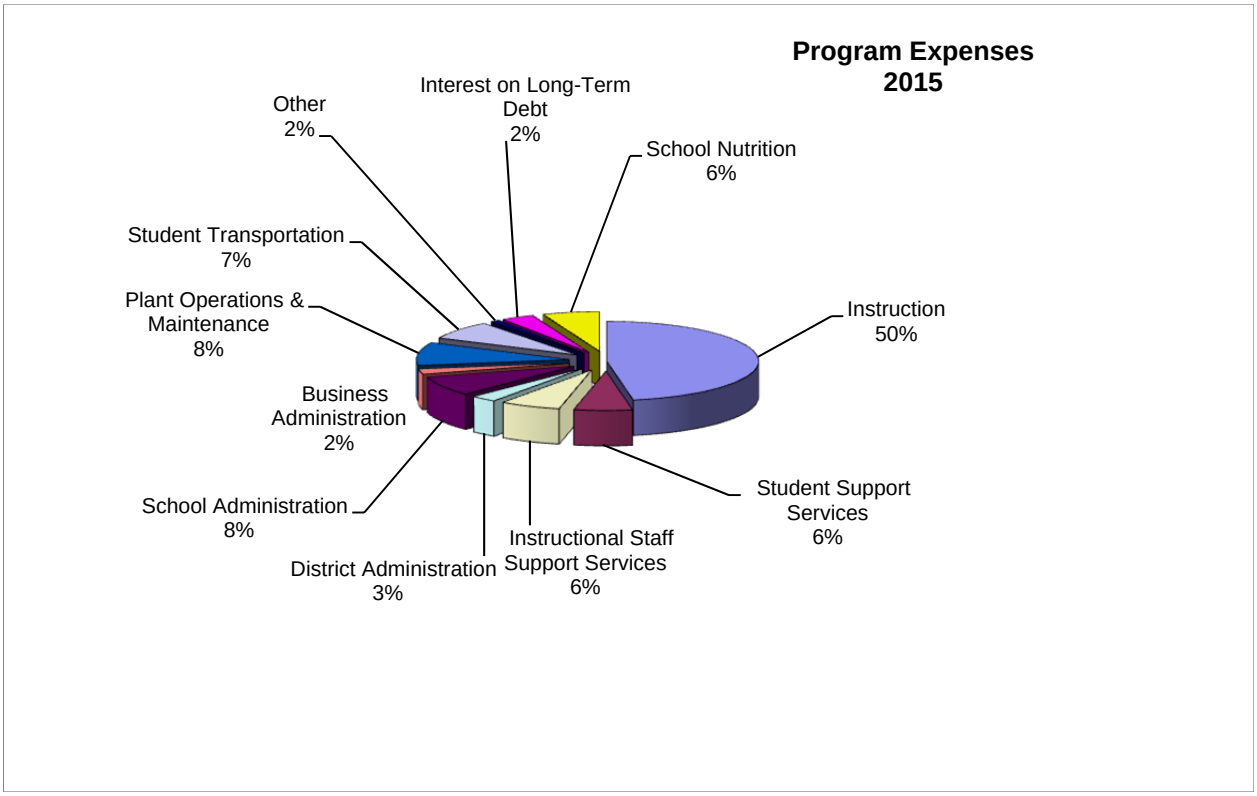
Changes in Net Position for June 30, 2014 and June 30, 2015

	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Program Revenues							
Charges for Services	$18,584	$19,390	$225,408	$209,597	$243,992	$228,987	-6.1%
Operating Grants and Contributions	$3,020,841	$3,020,652	$1,077,017	$1,101,655	$4,097,858	$4,122,307	0.6%
Capital Grants and Contributions	$1,321,615	$1,291,007			$1,321,615	$1,291,007	-2.3%
General Revenue							
Taxes							
Property Tax	$1,897,974	$1,989,689			$1,897,974	$1,989,689	4.8%
Motor Vehicle Tax	$350,609	$365,485			$350,609	$365,485	4.2%
Utility Tax	$729,336	$711,850			$729,336	$711,850	-2.4%
Other Tax	$514,506	$448,300			$514,506	$448,300	-12.9%
State Aid	$12,096,976	$13,832,609			$12,096,976	$13,832,609	14.3%
Investment Earnings	$36,079	$36,601	$4,314	$3,785	$40,393	$40,386	0.0%
Other Revenue	$127,040	$243,746	-$57,547	-$54,364	$69,493	$189,382	172.5%
Extraordinary item - KSBIT Loss	$200,457	$0	$0	0	$200,457	$0	100.0%
Total Revenues	$20,314,017	$21,959,329	$1,249,192	$1,260,673	$21,563,209	$23,220,002	7.7%



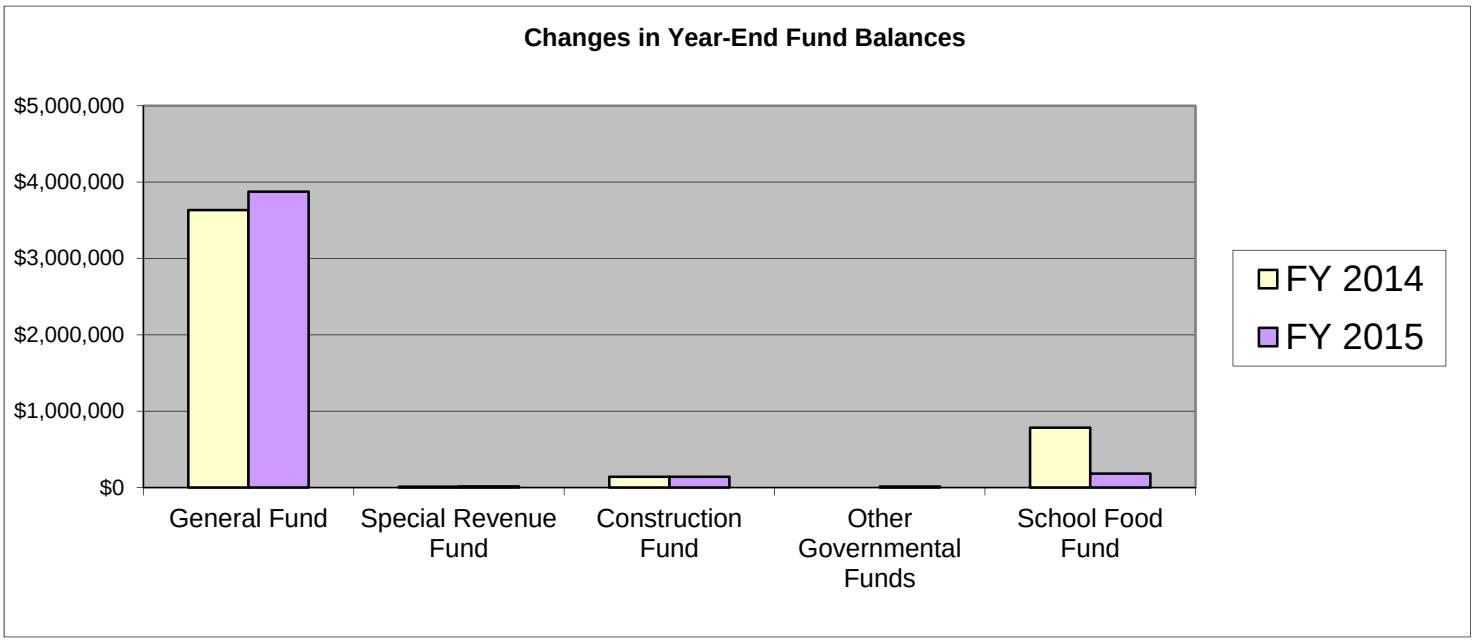
Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Instruction	$10,010,750	$11,458,784			$10,010,750	$11,458,784	14.5%
Support Services							
Student Support Services	$1,309,569	$1,425,338			$1,309,569	$1,425,338	8.8%
Instructional Staff	$1,359,108	$1,347,754			$1,359,108	$1,347,754	-0.8%
District Administration	$579,905	$593,035			$579,905	$593,035	2.3%
School Administration	$1,690,151	$1,735,713			$1,690,151	$1,735,713	2.7%
Business Administration	$455,479	$421,500			$455,479	$421,500	-7.5%
Plant Operations & Maintenance	$1,988,362	$1,931,825			$1,988,362	$1,931,825	-2.8%
Student Transportation	$1,596,238	$1,579,576			$1,596,238	$1,579,576	-1.0%
Other	$196,224	$394,833			$196,224	$394,833	101.2%
Interest on Long-Term Debt	$741,803	$456,932			$741,803	$456,932	-38.4%
Bond Issuance Cost	$0	$75,098			$0	$75,098	0.0%
School Nutrition			$1,276,757	$1,293,746	$1,276,757	$1,293,746	1.3%
Total Expenses	$19,927,589	$21,420,388	$1,276,757	$1,293,746	$21,204,346	$22,714,134	7.1%

- The District's total revenues were $23,220,002 and the total expenditures were $22,714,134. Revenues exceeded expenses by $505,868.
- State revenues accounted for 60% and local taxes accounted for 15% of the revenue.
- Instruction was the major expense category and accounted for 50% of the total.
- School Nutrition expenses exceeded revenues by $33,073 and Governmental revenues exceeded expenses by $538,941.



Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2014	FY 2015	Amount of Change	% Change
General Fund	$3,632,802	$3,874,078	$241,276	7%
Special Revenue Fund	$11,043	$15,622	$4,579	41%
Construction Fund	$140,541	$141,933	$1,392	1%
Other Governmental Funds	$0	$13,872	$13,872	100%
School Nutrition Fund	$784,298	$183,700	($600,598)	-77%
Total	$4,568,684	$4,229,205	($339,479)	-7%



- The General Fund's fund balance showed an increase of $241,276.
- The Special Revenue fund had an increase of $4,579. The only fund left in the Special Revenue fund is technology at year end.
- The Construction fund showed an increase in fund balance of $1,392.
- Other Governmental funds showed an increase of $13,872.
- The School Nutrition fund balance had a decrease of $600,598.

Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2015, net of interfund transfers, were $15,447,308. This is $388,768 more than was budgeted in the final working budget. The District budgets for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted $184,726.

- Other expenditures show a $1,381,930 surplus. The major reason is because in this category the district's contingency was budgeted. The contingency is not meant to be expended, but is to be used as the district's beginning balance for next year. The contingency budgeted was actually $1,275,000.

- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2015 the district had invested $27,033,864 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was $46,264,920 with accumulated depreciation of $19,231,056.

Long-Term Debt

The District's long-term general obligation bonds outstanding at June 30, 2015 were $17,618,700. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest 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 repay $1,392,932 of the bonds leaving the District to pay $16,225,768.

Outstanding Debt at Year End

	Governmental Activities 2014	Governmental Activities 2015
General Obligation Bonds:		
Series 1999B Refinance TCMS Renovations	335,000	0
Series 2005 Central Office and Auditorium	205,000	105,000
Series 2009 Refinance 1998A and 1998B	2,960,000	2,660,000
KISTA 2005	57,380	0
KISTA 2008	305,492	226,388
Series 2010 Refunding Revenue	1,530,000	1,490,000
Taxable Series 2010 BAB's	8,105,000	0
Series 2011 Refunding Revenue	2,075,000	2,035,000
Series 2013 Refunding Revenue	2,665,000	2,525,000
KISTA 2014	0	497,312
Series 2014 Refunding Revenue	0	8,080,000
Total	**$ 18,237,872**	**$ 17,618,700**

BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximately 79% of its general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 9% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of $3,874,078.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with $1,275,000 in contingency. Significant Board action that impacts finances include pay raises for all employees, additional spending on students and classroom technology needs and general fund matching dollars for other grants. The district currently participates in thirty federal and state grants. The total budget for these grants is $2,859,891. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Todd County Schools are to continue to improve the academic performance of our students and to improve the school climate and culture.

Todd County will continue to improve the curriculum so that it is rigorous, intentional and aligned to state standards. We are continually realigning the curriculum, not only by having communication within grade levels, but between the schools with focus on key transitions. We continue to analyze our test scores and student work to identify gaps and provide feedback not only to the students but staff as well. We will continue to implement professional development and instructional practices in all classrooms throughout the district to motivate and increase student achievement.

Another challenge for the future of Todd County Schools is to improve school culture and climate. The leadership believes all children can learn at high levels and supports a climate that is conducive to performance excellence. We continually strive to improve our learning community by working with families to remove barriers to learning to meet the needs of students. We will continue to use multiple communication strategies to disseminate information on things like student achievement.

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, inquiries should be directed to the Todd County Board of Education, Makka Wheeler, Treasurer & Director of Finance.

Todd County School District
Statement of Net Position

June 30, 2015	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 3,569,826	$ 381,336	$ 3,951,162
Accounts receivable:			
Taxes	134,723	-	134,723
Accounts	712	960	1,672
Intergovernmental	486,366	-	486,366
Inventory	-	7,809	7,809
Non-depreciable capital assets	4,215,072	-	4,215,072
Depreciable capital assets	40,747,269	1,302,579	42,049,848
Less: accumulated depreciation	(18,266,248)	(964,808)	(19,231,056)
Total assets	30,887,720	727,876	31,615,596
Deferred Outflows of Resources			
Deferred loss on debt refundings	577,681	-	577,681
Pension related	435,806	67,936	503,742
Total deferred outflows of resources	1,013,487	67,936	1,081,423
Liabilities			
Accounts payable	51,878	610	52,488
Accrued liabilities	24,027	-	24,027
Unearned revenue	70,217	-	70,217
Accrued interest	165,649	-	165,649
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,257,754	-	1,257,754
Other	199,485	-	199,485
Compensated absences	101,174	-	101,174
Due beyond one year:			
Outstanding bonds	16,339,593	-	16,339,593
Other	188,181	-	188,181
Compensated absences	376,182	-	376,182
Net pension liability	3,527,878	550,122	4,078,000
Total liabilities	22,302,018	550,732	22,852,750

See accompanying notes to the financial statements.

June 30, 2015	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
Pension related	393,620	61,380	455,000
Total deferred inflows of resources	393,620	61,380	455,000
Net Position			
Net investment in capital assets	9,499,645	337,771	9,837,416
Restricted for:			
Grant programs	15,622	-	15,622
Capital projects	155,805	-	155,805
Unrestricted	(465,503)	(154,071)	(619,574)
Total net position	$ 9,205,569	$ 183,700	$ 9,389,269

See accompanying notes to the financial statements.

Todd County School District
Statement of Activities

Year Ended June 30, 2015	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
Instruction	$ 11,458,784	$ 18,540	$ 2,023,175	$ 74,729	$ (9,342,340)	$ -	$ (9,342,340)
Support Services:							
Student	1,425,338	-	35,055	-	(1,390,283)	-	(1,390,283)
Instructional staff	1,347,754	-	484,302	-	(863,452)	-	(863,452)
District administration	593,035	-	-	-	(593,035)	-	(593,035)
School administration	1,735,713	-	-	-	(1,735,713)	-	(1,735,713)
Business	421,500	-	-	-	(421,500)	-	(421,500)
Plant operations and maintenance	1,931,825	850	735	262,131	(1,668,109)	-	(1,668,109)
Student transportation	1,579,576	-	101,565	-	(1,478,011)	-	(1,478,011)
Other	201,632	-	182,619	-	(19,013)	-	(19,013)
Architectural & engineering services	193,201	-	193,201	-	-	-	-
Interest on long-term debt	456,932	-	-	954,147	497,215	-	497,215
Bond issuance cost	75,098	-	-	-	(75,098)	-	(75,098)
Total governmental activities	21,420,388	19,390	3,020,652	1,291,007	(17,089,339)	-	(17,089,339)
Business-Type Activities:							
Food services	1,293,746	209,597	1,101,655	-	-	17,506	17,506
Total business-type activities	1,293,746	209,597	1,101,655	-	-	17,506	17,506
Total school district	$ 22,714,134	$ 228,987	$ 4,122,307	$ 1,291,007	(17,089,339)	17,506	(17,071,833)

See accompanying notes to the financial statements.

Year Ended June 30, 2015	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	**Business-Type Activities**	**Total**
General Revenues			
Taxes:			
Property	1,989,689	-	1,989,689
Motor vehicle	365,485	-	365,485
Utilities	711,850	-	711,850
Unmined minerals	2,175	-	2,175
Other	446,125	-	446,125
State aid	13,832,609	-	13,832,609
Investment earnings	36,601	3,785	40,386
Other	152,921	2,310	155,231
Transfers	56,674	(56,674)	-
Gain on disposal of assets	34,151	-	34,151
Total general revenues and transfers	17,628,280	(50,579)	17,577,701
Change in net position	538,941	(33,073)	505,868
Net position - beginning of year	12,306,103	784,298	13,090,401
Effect of adoption of GASB 68	(3,639,475)	(567,525)	(4,207,000)
Net position - beginning of year, as restated	8,666,628	216,773	8,883,401
Net position - end of year	$ 9,205,569	$ 183,700	$ 9,389,269

See accompanying notes to the financial statements.

Todd County School District
Balance Sheet
Governmental Funds

June 30, 2015	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 3,414,021	$ -	$ 155,805	$ 3,569,826
Accounts receivable:				
Taxes	134,723	-	-	134,723
Accounts	712	-	-	712
Intergovernmental	75,171	411,195	-	486,366
Due from other funds	324,912	-	-	324,912
Total assets	$ 3,949,539	$ 411,195	$ 155,805	$ 4,516,539

See accompanying notes to the financial statements.

Todd County School District
Balance Sheet
Governmental Funds

June 30, 2015	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 51,434	$ 444	$ -	$ 51,878
Accrued liabilities	24,027	-	-	24,027
Due to other funds	-	324,912	-	324,912
Unearned revenue	-	70,217	-	70,217
Total liabilities	75,461	395,573	-	471,034
Fund Balances				
Restricted	-	15,622	155,805	171,427
Committed	1,437,097	-	-	1,437,097
Assigned	31,890	-	-	31,890
Unassigned	2,405,091	-	-	2,405,091
Total fund balances	3,874,078	15,622	155,805	4,045,505
Total liabilities and fund balances	$ 3,949,539	$ 411,195	$ 155,805	$ 4,516,539

See accompanying notes to the financial statements.

Todd County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30,	2015
Total fund balances – governmental funds	$ 4,045,505
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $44,962,341 and the accumulated depreciation is $18,266,248.	26,696,093
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	42,186
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	577,681
Long-term liabilities, including bonds payable and accrued interest, 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:	
Bonds payable	(17,597,347)
Accrued interest on outstanding bonds	(165,649)
Other debt	(387,666)
Compensated absences	(477,356)
Net pension liability	(3,527,878)
Total net position – governmental activities	$ 9,205,569

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	$ 1,402,291	$ -	$ 587,398	$ 1,989,689
Motor vehicle	365,485	-	-	365,485
Utilities	711,850	-	-	711,850
Unmined minerals	2,175	-	-	2,175
Other	446,125	-	-	446,125
Tuition and fees	18,540	-	-	18,540
Earnings on investments	35,209	92	1,392	36,693
Other local revenue	128,501	-	-	128,501
Intergovernmental - state	12,266,292	1,061,292	1,147,344	14,474,928
Intergovernmental - federal	70,840	2,033,997	68,934	2,173,771
Total revenues	15,447,308	3,095,381	1,805,068	20,347,757
Expenditures				
Current:				
Instruction	7,757,141	2,137,015	-	9,894,156
Support services:				
Student	1,180,951	35,055	-	1,216,006
Instructional staff	673,582	484,302	-	1,157,884
District administration	636,896	-	-	636,896
School administration	1,285,065	-	-	1,285,065
Business	430,349	-	-	430,349
Plant operations and maintenance	1,782,419	735	-	1,783,154
Student transportation	1,933,839	101,565	-	2,035,404

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2015	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Other	13,402	182,619	-	196,021
Debt service:				
Principal	-	-	1,383,124	1,383,124
Interest	-	-	480,498	480,498
Bond issuance cost	16,398	-	58,700	75,098
Architectural & engineering services	-	193,201	-	193,201
Total expenditures	15,710,042	3,134,492	1,922,322	20,766,856
Excess (deficiency) of revenues over expenditures	(262,734)	(39,111)	(117,254)	(419,099)
Other Financing Sources (Uses)				
Bond proceeds-net of discount	563,952	-	-	563,952
Proceeds of advance refunded bonds - net of discount	-	-	8,195,693	8,195,693
Payment to advance refunded bond escrow agent	-	-	(8,136,101)	(8,136,101)
Operating transfers-in	318,805	43,690	1,604,588	1,967,083
Operating transfers-out	(378,747)	-	(1,531,662)	(1,910,409)
Total other financing sources (uses)	504,010	43,690	132,518	680,218
Net change in fund balances	241,276	4,579	15,264	261,119
Fund balances - beginning of year	3,632,802	11,043	140,541	3,784,386
Fund balances - end of year	$ 3,874,078	$ 15,622	$ 155,805	$ 4,045,505

See accompanying notes to the financial statements.

Todd County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

Year Ended June 30,		2015
Total net change in fund balances – governmental funds	$	261,119
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, $1,621,603, exceeds capital outlays, $776,679, in the period.		(844,924)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.		(11,419)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,538,281
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds, net of transfers to bond escrow agent, increase long-term liabilities in the statement of net position.		(623,544)
Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contribtuions		435,806
Cost of benefits earned net of employee contributions		(282,023)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.		65,645
Change in net position - governmental activities	$	538,941

See accompanying notes to the financial statements.

Todd County School District
Statement of Net Position
Proprietary Funds

June 30, 2015	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	$ 381,336
Accounts receivable	960
Inventory	7,809
Total current assets	390,105
Non-Current Assets	
Fixed assets - net	337,771
Total assets	727,876
Deferred Outflows of Resources	
Pension related	67,936
Total deferred outflows of resources	67,936
Liabilities	
Current Liabilities	
Accounts payable	610
Total current liabilities	610
Long-Term Liabilities	
Net pension liability	550,122
Total long-term liabilities	550,122
Deferred Inflows of Resources	
Pension related	61,380
Total deferred inflows of resources	61,380
Net Position	
Net investment in capital assets	337,771
Unrestricted	(154,071)
Total net position	$ 183,700

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2015	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	$ 209,597
Total operating revenues	209,597
Operating Expenses	
Salaries and wages	557,791
Contract services	28,437
Materials and supplies	668,066
Depreciation expense	39,452
Total operating expenses	1,293,746
Operating loss	(1,084,149)
Non-Operating Revenues (Expenses)	
State operating grants	112,176
Federal operating grants	914,916
Donated commodities	74,563
Interest revenue	3,785
Other revenue	2,310
Total non-operating revenues (expenses)	1,107,750
Income before transfers	23,601
Transfers	(56,674)
Change in net position	(33,073)
Net position - beginning of year	784,298
Effect of adoption of GASB 68	(567,525)
Net position - beginning of year, as restated	216,773
Net position - end of year	$ 183,700

See accompanying notes to the financial statements.

Todd County School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2015		**Enterprise Fund Food Service**
Cash Flows from Operating Activities		
Cash received from user charges	$	208,637
Cash payments to employees for services		(482,220)
Cash payments for contract services		(28,437)
Cash payments to suppliers for goods and services		(590,167)
Net cash used in operating activities		(892,187)
Cash Flows from Non-Capital Financing Activities		
Indirect cost transfer to general fund		(56,674)
Non-operating grants received		929,871
Net cash provided by non-capital financing activities		873,197
Cash Flows from Investing Activities		
Interest on investments		3,785
Net cash provided by investing activities		3,785
Net decrease in cash		(15,205)
Cash - beginning of year		396,541
Cash - end of year	$	381,336

See accompanying notes to the financial statements.

Year Ended June 30, 2015	**Enterprise Fund Food Service**
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	$ (1,084,149)
Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities:	
Depreciation	39,452
Commodities used	74,563
On-behalf payments received	99,531
Pension contributions in excess of pension expense	(23,959)
Changes in assets and liabilities:	
Receivables	(960)
Inventories	3,311
Accounts payable	24
Net cash used in operating activities	$ (892,187)

Noncash Activities

- The food service fund received $74,563 of donated commodities from the federal government.
- The food service fund received on-behalf payments of $99,531 relating to insurance benefits.
- The District reclassified $67,936 related to pension expense to deferred outflows of resources.

See accompanying notes to the financial statements.

Todd County School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015		**Agency Fund**
Assets		
Cash	$	246,031
Total assets	$	246,031
Liabilities		
Due to student groups	$	246,031
Total liabilities	$	246,031

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Todd County School 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc., except those funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units,” the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization’s governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District’s financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

> **Todd County School District Finance Corporation** — The Todd County Board of Education resolved to authorize the establishment of the Todd 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) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Todd County Board of Education also comprise the Corporation's Board of Directors.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It 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. The special revenue fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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

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

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

Proprietary Fund Types

Enterprise Fund

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Fund Types (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

Agency Funds

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. The student funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets 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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description	Estimated Lives
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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred amount arising from the refunding of bonds and a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year. The deferred amount is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

The District classifies its net position into the following three categories:

> *Net investment in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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 of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

Interfund Balances

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

Contributions of Capital

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through October 30, 2015, which was the date the financial statements were made available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncements

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 68 resulted in the reduction of beginning net position by $4,207,000.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* improves financial accounting and financial reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to pension contributions made by employers and nonemployer contributing entities to defined benefit pension plans after the measurement date of the government's beginning net pension liability and prior to implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 71 resulted in the recording of deferred outflows of resources of $503,742 from the current year pension contributions.

NOTE 2: CASH

Deposits

At June 30, 2015, the carrying amounts of the District's deposits were $4,197,193 and the bank balances were $4,904,339, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

June 30,		*2015*
Governmental funds	$	3,569,826
Proprietary fund		381,336
Fiduciary funds		246,031
	$	4,197,193

NOTE 2: CASH (CONTINUED)

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of $4,904,339 was not exposed to custodial credit risk as of June 30, 2015.

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 consist of the following:

June 30, 2015		
Receivable Fund	**Payable Fund**	**Amount**
General Fund	Special Revenue Fund	$ 324,912

The amounts represents an interfund loan between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

NOTE 4: CAPITAL ASSETS

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

	Capital Cost			
June 30, 2015	**Beginning Balance**	**Additions**	**Retirements/ Reclassifications**	**Ending Balance**
Governmental Activities:				
Capital assets that are not depreciated:				
Land	$ 4,215,072	$ -	$ -	$ 4,215,072
Total non-depreciable historical cost	4,215,072	-	-	4,215,072
Capital assets that are depreciated:				
Land improvements	1,120,054	-	-	1,120,054
Buildings and improvements	31,875,596	-	-	31,875,596
Technology equipment	3,184,692	136,322	309,344	3,011,670
Vehicles	3,121,130	558,354	329,043	3,350,441
General	1,273,679	124,899	9,070	1,389,508
Total depreciable historical cost	40,575,151	819,575	647,457	40,747,269

NOTE 4: CAPITAL ASSETS (CONTINUED)

	Capital Cost			
June 30, 2015	**Beginning Balance**	**Additions**	**Retirements/ Reclassifications**	**Ending Balance**
Less accumulated depreciation for:				
Land improvements	1,027,616	18,239	-	1,045,855
Buildings and improvements	10,485,934	945,971	-	11,431,905
Technology equipment	2,533,999	326,105	302,156	2,557,948
Vehicles	2,551,882	226,364	329,042	2,449,204
General	681,252	104,924	4,840	781,336
Total accumulated depreciation	17,280,683	1,621,603	636,038	18,266,248
Total depreciable historical cost, net	23,294,468	(802,028)	11,419	22,481,021
Governmental activities, capital assets, net	$ 27,509,540	$ (802,028)	$ 11,419	$ 26,696,093
Business-Type Activities:				
Buildings and improvements	$ 930,627	$ -	$ -	$ 930,627
Technology equipment	15,517	-	-	15,517
General	356,435	-	-	356,435
Total depreciable historical cost	1,302,579	-	-	1,302,579
Less accumulated depreciation for:				
Buildings and improvements	589,398	34,405	-	623,803
Technology equipment	13,948	496	-	14,444
General	322,010	4,551	-	326,561
Total accumulated depreciation	925,356	39,452	-	964,808
Total depreciable historical cost, net	377,223	(39,452)	-	337,771
Business-type activities, capital assets, net	$ 377,223	$ (39,452)	$ -	$ 337,771

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	*2015*
Instruction	$ 548,029
Support services:	
Student	129,160
Instructional staff	80,411
District administration	96,462
School administration	442,843
Business	2,452
Facilities operations	173,044
Student transportation	149,014
Other	188
Total depreciation expense	$ 1,621,603

NOTE 5: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
1999-B	$ 890,000	4.100% - 4.400%
2004	1,325,000	3.500% - 4.500%
2005	2,835,000	2.650% - 4.250%
2009	4,410,000	1.500% - 3.000%
2010	8,435,000	.700% - 5.750%
2010	1,675,000	2.000% - 3.250%
2012	2,150,000	1.100% - 2.250%
2005 KISTA	599,655	3.000% - 3.625%
2008 KISTA	756,945	3.000% - 3.750%
2014 KISTA	563,952	2.000% - 2.625%
2013	2,720,000	.750% - 2.300%
2014	8,170,000	.350% - 3.000%

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

On December 1, 2014, the District issued $8,170,000 in Revenue Refunding Bonds with an average interest rate of 2.95% to advance refund $7,970,000 of outstanding 2010 Series bonds with an average interest rate of 5.46%. The net proceeds of $8,136,101 (after payment of $59,592 in underwriting fees, insurance and other insurance costs) were transferred to an escrow agent to provide future debt service payments on the 2010 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $215,121. This difference reported in the accompanying financial statements as deferred outflows of resources and is being charged to operations through the year 2030 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by $426,911 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $326,364.

On August 1, 2014, the District participated in a Kentucky Interlocal School Transportation Association (KISTA) Bond Pooling with the District's proportionate share being $563,952. The bond proceeds were used to purchase six school buses.

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Todd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

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:

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Year	Todd County School District Principal	Todd County School District Interest	School Facility Construction Commission Principal	School Facility Construction Commission Interest	Total Debt Service
2015-2016	$ 1,116,711	$ 418,553	$ 141,043	$ 27,777	$ 1,704,084
2016-2017	1,124,606	393,733	143,938	24,879	1,687,156
2017-2018	1,146,962	368,227	146,219	22,601	1,684,009
2018-2019	1,088,924	340,316	136,775	20,284	1,586,299
2019-2020	992,093	323,898	99,601	18,173	1,433,765
2020-2021	1,021,077	296,487	101,611	16,163	1,435,338
2021-2022	1,064,992	267,277	103,691	14,084	1,450,044
2022-2023	1,078,848	243,298	105,883	11,891	1,439,920
2023-2024	1,134,567	205,882	101,159	9,506	1,451,114
2024-2025	1,126,438	173,687	103,562	7,089	1,410,776
2025-2026	1,144,762	141,752	85,238	4,790	1,376,542
2026-2027	790,142	113,722	24,858	3,353	932,075
2027-2028	809,386	89,729	25,614	2,596	927,325
2028-2029	838,607	65,009	26,393	1,816	931,825
2029-2030	862,802	39,488	27,198	1,012	930,500
2030-2031	884,851	13,273	20,149	296	918,569
	$ 16,225,768	$ 3,494,331	$ 1,392,932	$ 186,310	$ 21,299,341

Maturities of other debt, which consists of lease obligations of $176,782 and KSBIT settlement of $210,884, are as follow for the fiscal years ending:

June 30,	
2016	$ 199,485
2017	90,909
2018	51,160
2019	46,112
	$ 387,666

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2015 was as follows:

June 30, 2015	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Bonds	$ 18,237,872	$ 8,733,952	$(9,353,124)	$ 17,618,700	$ 1,257,754
Less discounts	(104,048)	25,693	57,002	(21,353)	-
Total bonds and notes payable	18,133,824	8,759,645	(9,296,122)	17,597,347	1,257,754
Other liabilities:					
Compensated absences	425,202	74,487	(22,333)	477,356	101,174
Other	594,160	42,896	(249,390)	387,666	199,485
Total other liabilities	1,019,362	117,383	(271,723)	865,022	300,659
Total long-term liabilities	$ 19,153,186	$ 8,877,028	$(9,567,845)	$ 18,462,369	$ 1,558,413

NOTE 6: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had $141,933 restricted for capital projects in the construction fund, $13,872 restricted for current SFCC offers in the FSPK fund, and $15,622 restricted in the special revenue fund for grant programs.

NOTE 6: FUND BALANCES (CONTINUED)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2015: $1,437,097 for technology programs.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2015 was $31,890. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015 in the governmental funds balance sheet.

NOTE 7: PENSION PLANS

Pensions

Todd County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 7: PENSION PLANS (CONTINUED)

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher, or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:
Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retire with 10 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 10 years. In addition, members 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.

NOTE 7: PENSION PLANS (CONTINUED)

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

For Members Hired On or After July 1, 2008:
Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 60 and complete 5 years of Kentucky service, or
2.) Complete 27 years of Kentucky service, or
3.) Attain age 55 and complete 10 years of Kentucky service.

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

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

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

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

Contributions

Contribution rates are established by KRS. KTRS members are required to contribute 11.355% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 1.50 percent of members' gross salaries.

NOTE 7: PENSION PLANS (CONTINUED)

Pension Liabilities and Pension Expense

At June 30, 2015, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ -
State's proportionate share of the net pension liability associated with the District	53,015,710
Total	$ 53,015,710

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

For the year ended June 30, 2015, the District recognized pension expense of $2,597,878 and revenue of $2,597,878 for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00 - 8.20%, including inflation
Inflation rate	3.50%
Municipal bond index rate	4.35%
Discount rate	5.23%

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.

NOTE 7: PENSION PLANS (CONTINUED)

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

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

Discount Rate

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

Pension Plan Fiduciary Net Position

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

NOTE 7: PENSION PLANS (CONTINUED)

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit 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 for service or disability. The KTRS medical insurance fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 2.25% of members' salary for the 2014-2015 fiscal year.

General Information About the CERS Pension Plan

Plan Description

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

NOTE 7: PENSION PLANS (CONTINUED)

Benefits Provided

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

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2015, was 17.67%. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. 5% of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420£). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(b) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

NOTE 7: PENSION PLANS (CONTINUED)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

At June 30, 2015, the District reported a liability of $4,078,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of 2014 contributions to the pension plan relative to the 2014 contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was .125705%.

For the year ended June 30, 2015, the District recognized pension expense of $326,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of
Net difference between projected & actual earnings on pension plan investments	$ -	$ 455,000
District contributions subsequent to the measurement date	503,742	-
Total	$ 503,742	$ 455,000

NOTE 7: PENSION PLANS (CONTINUED)

$503,742 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 of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 113,750
2017	113,750
2018	113,750
2019	113,750
Thereafter	-

Actuarial Assumptions

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

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.75% net of pension plan investment expense, including inflation
Projected salary increases	4.50%, average, including inflation
Inflation rate	3.50%
Discount rate	7.75%

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

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. 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.

NOTE 7: PENSION PLANS (CONTINUED)

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	30.0%	8.45%
Non U.S. Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield U.S. Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	100.0%	

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension

NOTE 7: PENSION PLANS (CONTINUED)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 5,367,000	$ 4,078,000	$ 2,940,000

Pension Plan Fiduciary Net Position

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

Deferred Compensation Plans

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

NOTE 8: CONTINGENCIES

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

NOTE 9: RISK MANAGEMENT

The District is exposed to various risk of loss of assets associated with the risks related to torts; theft of, damage to destruction of assets; fire, personal liability, vehicular accidents; errors and omissions, injuries to employees; fiduciary responsibility; and natural disasters. 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.

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

NOTE 10: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

Year ended June 30, 2015	
Fund	**Amount**
Food Service	33,073

NOTE 11: FUND TRANSFERS

Fund transfers for the year ended June 30, 2015 consist of the following:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Matching	$ 43,690
General	Debt Service	Debt Service	335,057
SEEK	General	Expenditures	182,042
FSPK	General	Expenditures	80,089
FSPK	Debt Service	Debt Service	1,269,531
Food Service	General	Indirect Costs	56,674

NOTE 12: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2015, was $3,640,867. These payments were recorded as follows:

Year Ended June 30, 2015

Fund		Amount
General Fund	$	3,283,194
Food Service Fund		99,531
Debt Service Fund		258,142
Total	$	3,640,867

Year Ended June 30, 2015

		Amount
Technology	$	57,965
Health Insurance less Federal reimbursements		2,155,226
Life Insurance		4,074
Administrative Fees		28,020
HRA/Dental/Vision Insurance		105,879
SFCC Debt Service		189,208
US Treasury-Debt Service		68,934
KTRS		1,031,561
Total	$	3,640,867

Todd County School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2015	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	$ 2,857,850	$ 2,925,450	$ 3,110,176	$ 184,726
State programs	12,320,552	12,093,090	12,266,292	173,202
Federal programs	35,000	40,000	70,840	30,840
Total revenues	15,213,402	15,058,540	15,447,308	388,768
Expenditures				
Current:				
Instruction	7,863,459	7,874,920	7,757,141	117,779
Support services:				
Student	1,134,579	1,154,419	1,180,951	(26,532)
Instructional staff	695,742	703,223	673,582	29,641
District administration	814,874	732,615	636,896	95,719
School administration	1,363,977	1,302,865	1,285,065	17,800
Business	538,967	456,114	430,349	25,765
Plant operations and maintenance	2,107,121	1,948,359	1,782,419	165,940
Student transportation	1,509,758	1,533,042	1,933,839	(400,797)
Other	1,293,810	1,395,332	13,402	1,381,930
Bond issuance costs	-	-	16,398	(16,398)
Total expenditures	17,322,287	17,100,889	15,710,042	1,390,847
Excess (deficiency) of revenues over expenditures	(2,108,885)	(2,042,349)	(262,734)	1,779,615

Year Ended June 30, 2015	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances (Unfavorable) Final to Actual
Other Financing Sources (Uses)				
Debt proceeds			563,952	563,952
Operating transfers - net	8,885	(61,651)	(59,942)	1,709
Total other financing sources (uses)	8,885	(61,651)	504,010	565,661
Net change in fund balance	(2,100,000)	(2,104,000)	241,276	2,345,276
Fund balance - beginning of year	2,100,000	5,325,390	3,632,802	(1,692,588)
Fund balance - end of year	$ -	$ 3,221,390	$ 3,874,078	$ 652,688

Todd County School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2015	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	$ -	$ 65	$ 92	$ 27
State programs	870,773	1,049,298	1,061,292	11,994
Federal programs	1,646,271	1,679,075	2,033,997	354,922
Total revenues	2,517,044	2,728,438	3,095,381	366,943
Expenditures				
Current:				
Instruction	1,881,274	2,072,944	2,137,015	(64,071)
Support services:				
Student	22,195	27,239	35,055	(7,816)
Instructional staff	319,394	383,748	484,302	(100,554)
Plant operations and maintenance	-	1,300	735	565
Student transportation	145,324	91,533	101,565	(10,032)
Other	177,275	182,621	182,619	2
Architectural & engineering services	-	-	193,201	(193,201)
Total expenditures	2,545,462	2,759,385	3,134,492	(375,107)
Deficiency of revenues over expenditures	(28,418)	(30,947)	(39,111)	(8,164)

Todd County School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2015	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Other Financing Sources (Uses)				
Operating transfers- net	28,418	30,947	43,690	12,743
Total other financing sources (uses)	28,418	30,947	43,690	12,743
Net change in fund balance	-	-	4,579	4,579
Fund balance - beginning of year	-	-	11,043	11,043
Fund balance - end of year	$ -	$ -	$ 15,622	$ 15,622

Schedule of the District's Proprotionate Share of the Net Pension Liability-KTRS

As of June 30,		2015
District's proportion of the net pension liability		0.0%
District's proportionate share of the net pension liability	$	-
State's proportionate share of the net pension liability associated with the District	$	53,015,710
District's covered - employee payroll	$	8,085,372
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.0%
Plan fiduciary net position as a percentage of the total pension liability		45.6%

Schedule of District's Contributions-KTRS

For the Year Ended June 30,		2015
Contractually required contribution	$	1,031,561
Contributions in relation to the contractually required contribution		1,031,561
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	8,235,589
Contributions as a percentage of covered-employee payroll		12.53%

Changes of Benefit Terms

None noted.

Changes of Assumptions

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS

As of June 30,		2015
District's proportion of the net pension liability		0.125705%
District's proportionate share of the net pension liability	$	4,078,000
District's covered - employee payroll	$	2,843,023
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		69.72%
Plan fiduciary net position as a percentage of the total pension liability		66.80%

Schedule of District's Contributions-CERS

For the Year Ended June 30,		2015
Contractually required contribution	$	503,742
Contributions in relation to the contractually required contribution		503,742
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	2,850,832
Contributions as a percentage of covered-employee payroll		17.67%

Changes of Benefit Terms

None noted.

Changes of Assumptions

None noted.

Todd County School District
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	$ -	$ 13,872	$ 141,933	$ -	$ 155,805
Total assets	$ -	$ 13,872	$ 141,933	$ -	$ 155,805
Fund Balances					
Current SFCC offer	$ -	$ 13,872	$ -	$ -	$ 13,872
Capital projects	-	-	141,933	-	141,933
Total fund balances	$ -	$ 13,872	$ 141,933	$ -	$ 155,805

Todd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2015	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	$ -	$ 587,398	$ -	$ -	$ 587,398
Earnings on investments	-	-	1,392	-	1,392
Intergovernmental - state	182,042	776,094	-	189,208	1,147,344
Intergovernmental - federal	-	-	-	68,934	68,934
Total revenues	182,042	1,363,492	1,392	258,142	1,805,068
Expenditures					
Debt service:					
Principal	-	-	-	1,383,124	1,383,124
Interest	-	-	-	480,498	480,498
Bond issuance cost	-	-	-	58,700	58,700
Total expenditures	-	-	-	1,922,322	1,922,322
Excess (deficiency) of revenues over expenditures	182,042	1,363,492	1,392	(1,664,180)	(117,254)

Todd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2015	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Other Financing Sources (Uses)					
Proceeds of advance refunded bonds - net of discount	-	-	-	8,195,693	8,195,693
Payment to advance refunded bond escrow agent	-	-	-	(8,136,101)	(8,136,101)
Operating transfers-in	-	-	-	1,604,588	1,604,588
Operating transfers-out	(182,042)	(1,349,620)	-	-	(1,531,662)
Total other financing sources (uses)	(182,042)	(1,349,620)	-	1,664,180	132,518
Net change in fund balances	-	13,872	1,392	-	15,264
Fund Balances - beginning of year	-	-	140,541	-	140,541
Fund Balances - end of year	$ -	$ 13,872	$ 141,933	$ -	$ 155,805

Todd County School District
Combining Statement of Fiduciary Net Position
School Activity Funds
Agency Funds

Year Ended June 30, 2015	Cash July 1, 2014	Receipts	Disbursements	Cash June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
Todd Co. Central High School	$ 123,393	$ 385,641	$ 405,724	$ 103,310	$ -	$ -	$ 103,310
Todd Co. Middle	69,115	95,348	109,612	54,851	-	-	54,851
North Todd Elementary	25,273	82,945	78,770	29,448	-	-	29,448
South Todd Elementary	52,084	99,826	93,488	58,422	-	-	58,422
Total	$ 269,865	$ 663,760	$ 687,594	$ 246,031	$ -	$ -	$ 246,031

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2015	Cash July 1, 2014	Receipts	Disbursements	Cash June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
General Fund	$ 3,527	$ 4,462	$ 5,570	$ 2,419	$ -	$ -	$ 2,419
Athletic Fund	11,202	52,284	58,097	5,389	-	-	5,389
Game Concessions	9,452	9,539	13,682	5,309	-	-	5,309
Ag/Greenhouse	5,493	7,281	2,335	10,439	-	-	10,439
Drama	605	6,337	4,726	2,216	-	-	2,216
Family/Consumer Sci	1,002	-	99	903	-	-	903
Buddy Boyd Memorial Fund	1,770	230	2,000	-	-	-	-
Band Account	363	33,921	33,005	1,279	-	-	1,279
Students/PBIS	4,236	3,196	5,095	2,337	-	-	2,337
TCCHS Flower Fund	116	-	116	-	-	-	-
PE Fund	44	500	-	544	-	-	544
Coaches Vs. Cancer	-	4,384	4,374	10	-	-	10
Interact Club	300	175	-	475	-	-	475
FFA Club	18,998	52,121	53,433	17,686	-	-	17,686
GT Class	108	20	128	-	-	-	-
Beta Club	1,967	1,135	609	2,493	-	-	2,493
Student Council Club	3,763	5,024	5,617	3,170	-	-	3,170
FCCLA Club	1,259	1,669	1,945	983	-	-	983
Spanish Club	1	200	170	31	-	-	31
Class of 2016	1,000	-	1,000	-	-	-	-
TCCHS STLP	1,017	-	1,017	-	-	-	-
Yearbook Fund	1,047	19,066	18,930	1,183	-	-	1,183

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2015	Cash July 1, 2014	Receipts	Disbursements	Cash June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
Library Fund	480	186	-	666	-	-	666
TC Pep Club	79	4,703	2,944	1,838	-	-	1,838
1st Priority Club	76	-	-	76	-	-	76
Dance Team	1,540	5,926	6,802	664	-	-	664
Science Dept	1,136	-	91	1,045	-	-	1,045
HOSA Club	1,144	964	1,402	706	-	-	706
Cheerleader Fund	5,419	8,565	8,793	5,191	-	-	5,191
Future Educators of America	1,829	-	-	1,829	-	-	1,829
National Honor Society	424	3,521	3,115	830	-	-	830
Faculty Lounge	311	1,996	1,619	688	-	-	688
School Fees	1,449	9,645	10,635	459	-	-	459
TCCHS PTO	3,288	4,942	3,532	4,698	-	-	4,698
TCCHS Veteran's Day Program	329	325	93	561	-	-	561
Class of 2015	6,047	-	6,047	-	-	-	-
CLASS of 2016	-	13,059	9,098	3,961	-	-	3,961
F.C.A.	831	-	831	-	-	-	-
Scholarships	1,140	7,210	7,000	1,350	-	-	1,350
YSC	1,260	260	621	899	-	-	899
2015 Parents/Project Graduation	1,190	36,436	36,080	1,546	-	-	1,546
Project Graduation New Games	3,156	1,500	2,656	2,000	-	-	2,000
Athletic Travel	1,685	3,862	4,271	1,276	-	-	1,276
Baseball	290	33,601	33,872	19	-	-	19
Boys Basketball	1,250	15,953	13,070	4,133	-	-	4,133
Football	-	2,809	2,809	-	-	-	-

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2015	Cash July 1, 2014	Receipts	Disbursements	Cash June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
Girls Basketball	6,004	14,420	18,708	1,716	-	-	1,716
G/B Golf	5,087	4,430	4,018	5,499	-	-	5,499
Boys Soccer	5,600	16,715	22,300	15	-	-	15
Girls Soccer	-	415	-	415	-	-	415
Softball	2,824	15,188	15,486	2,526	-	-	2,526
Track	275	413	688	-	-	-	-
Volleyball	1,429	8,622	9,421	630	-	-	630
Wrestling	300	505	-	805	-	-	805
Weightlifting	-	150	-	150	-	-	150
Charitable Gaming	251	2	-	253	-	-	253
Inter-fund Transfers	-	(32,226)	(32,226)	-	-	-	-
Total	$ 123,393	$ 385,641	$ 405,724	$ 103,310	$ -	$ -	$ 103,310

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program:				
Food Distribution Program - non-cash	10.555	-		$ 74,563
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 15		259,179
National School Lunch Program	10.555	7750002 15		655,737
Total U.S. Department of Agriculture				989,479
U.S. Department of Transportation				
Passed-Through State Department of Transportation:				
Safe Routes To School	20.205	6063		193,201
Total U.S. Department of Transportation				193,201
U.S. Department of Education				
Passed-Through State Department of Education:				
Title I, Part A Cluster				
Title I to Local Educational Agencies - 2013	84.010	3100002 12	1,026	
Title I to Local Educational Agencies - 2014	84.010	3100002 13	76,097	
Title I to Local Educational Agencies - 2015	84.010	3100002 14	747,274	
Subtotal				824,397
Migrant Education - 2013	84.011	3110002 12	4,825	
Migrant Education - 2014	84.011	3110002 13	42,363	
Migrant Education - 2015	84.011	3110002 14	69,050	
Subtotal				116,238
Special Education Cluster				
IDEA - Part B Special Education - 2013	84.027	3810002 12	13,894	
IDEA - Part B Special Education - 2014	84.027	3810002 13	16,049	
IDEA - Part B Special Education - 2015	84.027	3810002 14	455,353	
IDEA - Part B Preschool - 2014	84.173	3800002 13	5,980	
IDEA - Part B Preschool - 2015	84.173	3800002 14	68,519	
Subtotal				559,795

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
English Language Acquisition Grants - 2014	84.365	3300002 13	5,246	
English Language Acquisition Grants - 2015	84.365	3300002 14	8,216	
Subtotal				13,462
Vocational Education - 2014	84.048	3710002 13	1,230	
Vocational Education - 2015	84.048	3710002 14	28,863	
Subtotal				30,093
Improving Teacher Quality - 2014	84.367	3230002 13	5,372	
Improving Teacher Quality - 2015	84.367	3230002 14	98,723	
Subtotal				104,095
Title VI - Rural Education Achievement - 2015	84.358	3140002 14		22,604
21st Century	84.287	5503	1,927	
21st Century	84.287	5504	132,942	
Subtotal				134,869
Passed-Through State Workforce Cabinet:				
Adult Education - Federal Basic - 2015	84.002	373A	26,328	
Adult Education - Professional/Staff Development	84.002	373AS	348	
Recruitment, Retention, and Results	84.002	365A	8,567	
Subtotal				35,243
Total U.S. Department of Education				1,840,796
Total Expenditures of Federal Awards				**$ 3,023,476**

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Todd 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.

Nonmonetary assistance is reported in the schedule of fair value of the goods received.

NOTE 3: SUBRECIPIENTS

There were no subrecipients during the fiscal year.

None noted.

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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
Todd County School District
Elkton, 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 as defined 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 Todd 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 Todd County School District's basic financial statements, and have issued our report thereon dated October 30, 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
October 30, 2015

Carr, Riggs & Ingram, LLC

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Todd 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 the District's major federal programs for the year ended June 30, 2015. The 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 the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about a 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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Carr, Riggs & Ingram, L.L.C

Carr, Riggs & Ingram, LLC
Bowling Green, KY
October 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	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ None reported

Noncompliance material to financial statements noted?	☐ Yes	☑ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ 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	☑ No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	Safe Routes To School
84.010	Title I, Part A Cluster
84.367	Teacher Quality

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

Auditee qualified as low-risk auditee? ☑ Yes ☐ No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.

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Management Letter

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 30, 2015 contains our report on the District's internal control. This letter does not affect our report dated October 30, 2015 on the financial statements of the District.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
October 30, 2015

Current Year Comments

- **North Todd Elementary School**

  - During our procedures over the school's activity funds, we noted that tuition fees are collected and deposited in the activity funds prior to being remitted to the central office. The collections are recorded as receipts and the remittance to the central office is recorded as disbursements. We recommend the remittance of tuition be directly to the central office bank account in accordance with the guidelines in Redbook.

  - During our procedures over the school's activity funds, we noted that Fundraiser worksheets are not reviewed by someone other than the sponsor for errors or unusual items. We recommend that all Fundraiser worksheets be reviewed by someone other than the sponsor for any errors or unusual items.

- **South Todd Elementary School**

  - During our procedures over the school's activity funds, we noted that tuition fees are collected and deposited in the activity funds prior to being remitted to the central office. The collections are recorded as receipts and the remittance to the central office is recorded as disbursements. We recommend the remittance of tuition be directly to the central office bank account in accordance with the guidelines in Redbook.

- **Todd County Middle School**

  - During our procedures over the school's activity funds, we noted that the school purchases coaches cards. We recommend the District not purchase coaches cards, unless the District can provide support to reflect the students received the full benefit of the coaches card.

TODD COUNTY SCHOOL DISTRICT
ELKTON, KENTUCKY
MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2015

October 30, 2015

Carr, Riggs & Ingram, LLC

167 South Main Street

Russellville, KY 42276

Dear Sirs:

Regarding the comments noted during the June 30, 2015 audit of our financial statements, we have the following responses.

North Todd Elementary

Condition and Criteria: We noted that Fundraiser worksheets are not reviewed by someone other than the sponsor for errors or unusual items.
Auditor Recommendation: We recommend all Fundraiser worksheets be reviewed by someone other than the sponsor.
Management Response: All Fundraiser worksheets will be reviewed by the Principal or his designee.

South Todd Elementary and North Todd Elementary

Condition and Criteria: In our procedures over preschool tuition, we noted the fees are collected and deposited in the activity funds prior to being remitted to the central office.
Auditor Recommendation: We recommend the remittance of tuition be the remittance of tuition be directly to the central office bank account in accordance with the guidelines in the Redbook.
Management Response: Preschool tuition collected at the schools will be remitted directly to the central office with a Multiple Receipt Form and deposited into the board account.

Todd County Middle School

Condition and Criteria: We noted the school purchased coaches cards.
Auditor Recommendation: We recommend the District not purchase coaches cards, unless the District can provide support to reflect the students received the full benefit of the coach's card.
Management Response: The schools will no longer purchase coaches cards or they will document the benefit the students receive from the purchase.

I would like to take this opportunity to thank you for the suggestions for improving our internal controls. The school district is always open to suggestions for improvement especially in the area of internal control and safeguarding the assets of the school district.

Sincerely,

Makka Wheeler, Director of Finance

THOUGHT LEADERSHIP

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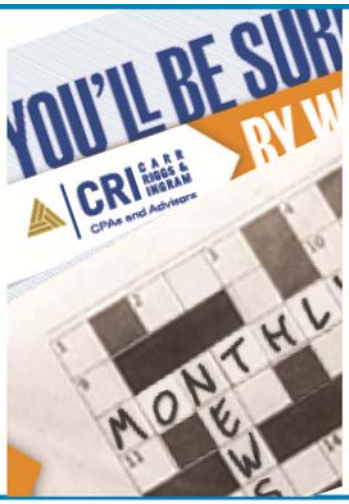

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