



**Report on Audit of Financial Statements
and Supplementary Information**
for the year ended June 30, 2016

Alford Nance Jones & Oakley, llp
Certified Public Accountants

HOPKINS COUNTY SCHOOL DISTRICT
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for the year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, 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 Hopkins County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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' Fiscal Year 2015-2016 Financial Audit Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopkins County School District as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 7 and pages 44 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

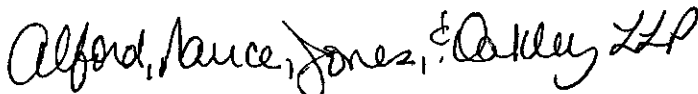
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins County School District's basic financial statements. The combining and individual nonmajor fund financial statements/schedules as listed in the table of contents 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of the Hopkins County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hopkins County School District's internal control over financial reporting and compliance.



Alford, Nance, Jones, & Oakley LLP
November 10, 2016

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

YEAR ENDED JUNE 30, 2016

FINANCIAL HIGHLIGHTS

- The Board of Education approved the 4% property tax rate of 66 cents per \$100 of assessed value for both real and personal property for fiscal year 2016. The rate generated an increase of \$565,676 in tax revenue compared to fiscal year 2015.
- The General Fund had \$56.3 million in revenue, which primarily consisted of SEEK (State Funding), property and motor vehicle taxes, and on behalf revenue reported for payments made at the state level in the name of the school district. There were \$55.7 million in General Fund Expenditures.
- The Board of Education approved a State mandated 2% salary increase for fiscal year 2016.
- Food Services continued to participate in the Community Eligibility Program that provided free breakfast and lunch for all elementary school children.
- Litigation continued against all persons and legal entities that have potential liability or responsibility for the construction defects in the old Hopkins County Schools Career & Technology Center.
- Construction continued on the new Hopkins County Career & Technology Center and instructional classes began during the second trimester. There was an official ribbon cutting and open house May 3, 2016 to celebrate this achievement with the community of Hopkins County.
- The Board approved a refunding of bond series 2006, in October 2015, and in May 2016, it was approved to refund the 2009 Energy Conservation revenue bonds. Under GASB 65, the deferred gain or loss on refunding was recognized as a deferred outflow of resources or a deferred inflow of resources and amortized to interest expense for government wide financial statements.
- The Board approved the purchase of one new 72 passenger bus for fiscal year 2016.
- Hopkins County Schools was named a distinguished district by Kentucky's Unbridled Learning and Assessment and Accountability System. This is the highest classification established by the Kentucky Department of Education.

OVERVIEW OF FINANCIAL STATEMENTS

This analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad review of the District's finances, in a manner similar to private-sector business. Government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities) such as fixed assets and related debt. Governmental activities of the District include: instruction, support services, operation & maintenance of facilities, student transportation and operation of non-instructional services.

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

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This 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. Funds of the districts may be divided into three categories:

Fiduciary funds - trust funds established by benefactors to aid in student education, welfare and teacher support.

Proprietary funds - child care and food service operations are the district's only proprietary funds.

Governmental funds - all other activities in the District are included in the governmental funds.

3. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$9.6 million as of June 30, 2016.

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District 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.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2016

The following is a comparison of condensed statement of net position for the current and prior years.

	<u>2015-2016FY</u>	<u>2014-2015FY</u>
Current Assets	\$ 11,646,218	\$ 12,324,800
Restricted Assets	971,694	1,451,580
Capital Assets, net of accumulated depreciation	54,647,047	54,488,225
TOTAL ASSETS	\$ 67,264,959	\$ 68,264,605
TOTAL DEFERRED OUTFLOWS	\$ 4,287,216	\$ 1,609,750
Current Liabilities	\$ 8,610,132	\$ 9,069,132
Noncurrent Liabilities	53,005,233	52,131,612
TOTAL LIABILITIES	\$ 61,615,365	\$ 61,200,744
TOTAL DEFERRED INFLOWS	\$ 328,134	\$ 1,576,000
Net Position		
Investment in Capital Assets (Net of Debt)	\$ 16,288,349	\$ 13,572,744
Restricted for:		
Capital Projects	\$ 687,820	\$ -
Debt Service	406,090	388,079
Unrestricted Fund Balance	(7,773,583)	(6,863,212)
Total Net Position	\$ 9,608,676	\$ 7,097,611

COMMENTS ON BUDGET COMPARISONS

- The District's total revenues for the fiscal year ended June 30, 2016 net of inter fund transfers, were \$71 million.

- The difference between the original and final budget figures occurred due to:
 1. Fewer budget adjustments were made in fiscal year 2016 between the tentative budget and final working budget due to lack of funding sources.
 2. The district did increase the budget for property tax revenue as a result of the adoption of the 4% rate change.
 3. The budget for instructional staff support and district administrative support services was increased due to step up in years of service and the 2% State mandated increase.
 4. The budget for district employee benefits was adjusted based on the change in employer portion of benefits, including retirement.
 5. Due to a history of unscheduled revenue adjustments for the SEEK program and uncertainty related to grant funding, the District adopted a very conservative approach to budgeting revenues.

The following presents a summary of revenue and expenditures for the fiscal year ended June 30, 2016

	<u>2015-2016FY</u>		<u>2014-2015FY</u>	
GENERAL REVENUES				
Property Taxes	\$	14,448,529	\$	13,882,853
Motor Vehicle Taxes		1,775,706		1,745,414
Unmined Mineral Taxes		323,047		298,106
Other Taxes		172,552		115,518
Intergovernmental - Local		123,587		116,976
Investment Earnings		93,262		66,051
Tuition		4,355		-
Student Activities		212,929		454,286
Other Local Revenue		322,976		237,393
Gain (Loss) on Disposal of Fixed Assets		(3,789)		3,362
State and Formula Grants		40,269,721		39,345,617
PROGRAM REVENUES				
Charges for Services		717,331		653,531
Operations Grants and Contributions		9,814,294		10,040,527
Capital Grants and Contributions		2,905,275		2,986,096
TOTAL REVENUES	\$	71,179,775	\$	69,945,730
EXPENSES				
Instruction		38,403,079		39,204,612
Student Support		2,367,763		2,196,865
Instruction Staff Support		3,032,225		2,631,328
District Administrative Support		1,465,363		1,552,446
School Administrative Support		3,947,887		3,696,962
Business Support		2,656,798		2,234,101
Plant Operations and Maintenance		7,590,397		7,679,509
Student Transportation		3,838,428		3,842,312
Other Instructional		4,639		13,401
Community Services Activities		662,180		608,731
Interest on Long-Term Debt		1,398,316		1,232,245
Debt Issuance Cost		60,035		65,656
Amortization of Bond Premium/Discounts, Net		74,202		(7,712)
Food Services		3,605,618		3,553,261
Child Care		126,960		125,592
TOTAL EXPENSES	\$	69,233,890	\$	68,629,309
Changes in Net Position	\$	1,945,885	\$	1,316,421
Prior period adjustments	\$	565,180	\$	(13,274,000)
Net Position, Beginning	\$	7,097,611	\$	19,055,190
Net Position, Ending	\$	9,608,676	\$	7,097,611

GENERAL FUND REVENUE

Total Revenues are \$56,301,415. The majority of revenue was derived from State Funding – in the amount of \$40,354,478 or 72%, Local Funding makes up in the amount of \$15,817,337 or 28%, and other revenues

in the amount of \$129,600 are less than 1%. Compared to prior year, State Funding increased by \$1.027 million due to an increase in on behalf payments. Only \$546,486 was a direct increase in SEEK (Support Education Excellence in Kentucky) funding. Local Funding sources fluctuated for a total increase of \$790 thousand. The small increase in State Funding actually received by the school district shows how the demand for local support is increasing each year. The small increase in Local Funding is related to the property tax increase. It is much less than the projected revenue provided by the State and is related to a decline in property values in Hopkins County.

GENERAL FUND EXPENDITURES

Approximately 83% of the general fund expenditures were for instruction and administration, some of which was directed by the Site Based Decision Making Councils. Plant operation and maintenance make up 11% of General Fund expenditures and transportation is the remaining 6%.

SCHOOL ALLOCATION

Regular instruction accounts for approximately 79% of the school level expenditures. School level expenditures include instruction, student support, instruction staff, district administration and school administration. Total instruction includes regular instruction such as salaries and instructional support such as salaries for support personnel and classroom instructional assistants. Total instructional expenses are \$41,845,381 regular instruction and \$2,002,857 instructional support staff.

DISTRICT SUPPORT SERVICES ALLOCATION

Among the central support services expenses are Transportation \$3,287,298, Maintenance and Operation \$5,986,764, and District Administrative and Business Functions \$2,612,399.

FUND BALANCE

Beginning fund balance was \$5,600,365, Revenues \$56,301,415, Expenses \$55,734,699, and total other funding sources (uses) of -\$1,904,825 for a net change in fund balance of \$1,338,109 to reflect an ending fund balance for Fiscal Year 2015-16 of \$4,262,255.

BUSINESS TYPE ACTIVITIES

Food Services ended the year with Total Assets and Deferred Outflows of \$1,666,568 and Total Liabilities and Deferred Inflows of \$2,265,478 which left them with Total Net Position of \$(598,910). This negative Net Position is related to the recognition of net pension liability of \$2,037,384 required under GASB 68. The Food Service Fund had Total Operating Revenues of \$509,557 versus \$470,647 for the previous year. Total Non-operating Revenues which include Federal and State Grants amounted to \$3,146,649 versus \$3,100,480 for the previous year.

OTHER FUNDS

Fund 2 contains all of the state and federal grants. There was a decrease in fund 2 revenue of \$508,987 compared to prior year.

Fund 310 and 320 are the restricted building funds and serve as the cash source of our bond payments and major building renovations.

Fund 360 serves as the fund that contains and manages all building and improvement projects.

Fund 400 is the fund that accumulates the bond payments for the fiscal year.

Fund 52 is our daycare operations. One elementary school operates a child care program, and one operates an afterschool program. They are self-supporting and any profits are used at the child care center to fund instructional supplies and personnel.

BUDGETARY IMPLICATIONS

In Kentucky the public schools fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$2.5 million in contingency. The beginning general fund balance for fiscal year 2017 is \$4.3 million. Significant changes that could impact the finances in future years include the Career and Technical Center and the related litigation, employer matching taxation on retirement contributions for Social Security and Medicare, Kentucky Retirement System pension spiking invoices, and SEEK and grant funding cuts across the state.

Questions regarding this report should be directed to Deanna D. Ashby, Superintendent or Eydie L. Tate, Director of Finance (270) 825-6000 or by mail at 320 South Seminary Street, Madisonville, KY 42431.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

Assets	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$8,647,075	\$1,113,115	\$9,760,190
Receivables:			
Taxes	171,254		171,254
Accounts receivable	247,952	93,206	341,158
Intergovernmental – State			0
Intergovernmental – Indirect federal	815,888		815,888
Inventories	222,352	75,722	298,074
Prepaid expenses	136,864		136,864
Restricted investments	406,090		406,090
Restricted cash	688,393		688,393
Capital assets, net of accumulated depreciation	<u>54,610,558</u>	<u>36,489</u>	<u>54,647,047</u>
Total Assets	<u>65,946,426</u>	<u>1,318,532</u>	<u>67,264,958</u>
Deferred Outflows of Resources			
Deferred outflows on refunding bonds	1,091,661		1,091,661
Deferred outflows from CERS contributions	<u>2,787,497</u>	<u>408,058</u>	<u>3,195,555</u>
Total Deferred Outflows	<u>3,879,158</u>	<u>408,058</u>	<u>4,287,216</u>
Liabilities			
Accounts payable	132,167	35	132,202
Accrued payroll and related expenses	3,334,176	177,377	3,511,553
Accrued interest payable	241,946		241,946
Unearned revenue	1,416,578	16,811	1,433,389
Current portion of bond obligations, net	2,955,006		2,955,006
Current portion of accrued sick leave	334,316	1,719	336,035
Current portion of insurance assessment			
Noncurrent Liabilities:			
Noncurrent portion of bond obligations, net	35,437,399		35,437,399
Noncurrent portion of accrued sick leave	666,123	11,276	677,399
Insurance assessment	150,738		150,738
Net pension liability	<u>14,532,799</u>	<u>2,206,898</u>	<u>16,739,697</u>
Total Liabilities	<u>59,201,248</u>	<u>2,414,116</u>	<u>61,615,364</u>
Deferred Inflows of Resources			
Deferred inflows from CERS contributions	152,984	35,150	188,134
Unavailable revenues - property taxes	<u>140,000</u>		<u>140,000</u>
Total Deferred Inflows	<u>292,984</u>	<u>35,150</u>	<u>328,134</u>
Net Position			
Net investment in capital assets	16,251,860	36,489	16,288,349
Restricted for:			
Capital projects	687,820		687,820
Debt service	406,090		406,090
Unrestricted	<u>(7,014,418)</u>	<u>(759,165)</u>	<u>(7,773,583)</u>
Total Net Position	<u>\$10,331,352</u>	<u>(\$722,676)</u>	<u>\$9,608,676</u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities:						
Instruction	\$38,403,079	\$4,632,230		(\$33,641,249)		(\$33,641,249)
Support services:						
Student	2,367,763	243,012		(2,124,751)		(2,124,751)
Instruction staff	3,032,225	1,024,487		(2,007,738)		(2,007,738)
District administrative	1,465,363			(1,465,363)		(1,465,363)
School administrative	3,947,887			(3,947,887)		(3,947,887)
Business	2,656,796	4,886		(2,651,912)		(2,651,912)
Plant operation and maintenance	7,590,387	94,303		(7,496,094)		(7,496,094)
Student transportation	3,838,428			(3,838,428)		(3,838,428)
Other instructional	4,639	4,639		0		0
Facilities acquisition and construction	662,180		\$2,582,354	2,582,354		2,582,354
Community service activities	1,398,316	633,269		(28,912)		(28,912)
Interest on long-term debt	60,035		322,921	(1,075,395)		(1,075,395)
Debt issuance cost	74,202			(60,035)		(60,035)
Amortization of bond premiums/discounts, net				(74,202)		(74,202)
Total governmental activities	65,501,512	6,638,825	2,905,275	(55,828,612)	-	(55,828,612)
Business-Type Activities:						
Food service	3,605,618	3,141,108		\$45,047		45,047
Child care	128,960	36,361		(12,425)		(12,425)
Total business-type activities	3,732,578	3,177,469	-	32,622	32,622	32,622
Total primary government	\$69,233,890	\$9,814,294	\$2,905,275	(55,828,612)	32,622	(55,796,990)
General Revenues:						
Taxes:						
Property taxes				14,448,529		14,448,529
Motor vehicle taxes				1,775,706		1,775,706
Unimined mineral taxes				323,047		323,047
Other				172,552		172,552
Intergovernmental - local				123,587		123,587
Investment earnings				87,140	6,122	93,262
Tuition				4,355		4,355
Student activities				212,929		212,929
Other local revenue				322,976		322,976
Gain (loss) on disposal of capital assets				(3,789)		(3,789)
State and formula grants				40,269,721		40,269,721
Change in net position				1,907,141	38,744	1,945,885
Net position, July 1, 2015, as originally reported				7,799,117	(701,506)	7,097,611
Prior period adjustments				625,094	(59,914)	565,180
Net position, July 1, 2015, as restated				8,424,211	(761,420)	7,662,791
Net position, June 30, 2016				\$10,331,352	(\$722,676)	\$9,608,676

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$7,578,058	\$749,861		\$ 319,158	\$8,647,075
Receivables:					
Taxes	171,254				171,254
Accounts receivable	247,921			31	247,952
Intergovernmental - State					-
Intergovernmental - Indirect federal		815,888			815,888
Due from other funds					-
Prepaid expenses	55,844			81,020	136,864
Restricted investments				406,090	406,090
Restricted cash			\$565,603	122,790	688,393
Total Assets	<u>\$8,053,077</u>	<u>\$1,565,749</u>	<u>\$565,603</u>	<u>\$929,087</u>	<u>\$11,113,516</u>
Liabilities					
Accounts payable	\$82,675	\$48,826	\$573	\$ 93	\$132,167
Accrued payroll and related expenses	2,864,554	469,622			3,334,176
Retainage payable					-
Current portion of accrued sick leave	334,316				334,316
Unearned revenue	509,277	1,047,301			1,556,578
Due to other funds					-
Total Liabilities	<u>3,790,822</u>	<u>1,565,749</u>	<u>573</u>	<u>93</u>	<u>5,357,237</u>
Fund Balances					
Nonspendable:					
Prepaid expenses	55,844			81,020	136,864
Restricted:					
Capital projects			565,030	122,790	687,820
Debt service				406,090	406,090
Committed:					
Site-base carryforward	225,277				225,277
District Activity Fund				319,094	319,094
Assigned:					
Encumbrances					
Unassigned:					
General fund	3,981,134				3,981,134
Total Fund Balances	<u>4,262,255</u>	<u>-</u>	<u>565,030</u>	<u>928,994</u>	<u>5,756,279</u>
Total Liabilities and Fund Balances	<u>\$8,053,077</u>	<u>\$1,565,749</u>	<u>\$565,603</u>	<u>\$929,087</u>	<u>\$11,113,516</u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2016**

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

Total fund balance - governmental funds		\$5,756,279
Inventory is not reported in this fund financial statement because the supplies are not current financial resources, but it is reported in the statement of net position		222,352
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		54,610,558
Deferred outflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		2,787,497
Deferred inflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(152,984)
Certain liabilities (such as net bonds payable, the long-term portion of accrued sick leave, insurance assessment, net pension liability and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net bonds payable	(38,392,405)	
Noncurrent portion of accrued sick leave	(666,123)	
Insurance assessment	(150,738)	
Net pension liability	(14,532,799)	
Accrued interest	<u>(241,946)</u>	(53,984,011)
Deferred outflows of resources losses from refunding bonds are not current and are not reported in the fund financial statements		<u>1,091,661</u>
Net position of governmental activities		<u><u>\$10,331,352</u></u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$13,146,039			\$1,302,490	\$14,448,529
Motor vehicle	1,775,706				1,775,706
Unmined mineral	323,047				323,047
Other	172,552				172,552
Tuition	4,355				4,355
Earnings on investments	65,783	\$3,346		18,011	87,140
Student activities	240	8,000		204,689	212,929
Other local revenues	208,028	116,948			322,976
Intergovernmental - Local	123,587				123,587
Intergovernmental - State	40,354,478	2,276,138		2,905,275	45,535,891
Intergovernmental - Indirect federal		4,226,297			4,226,297
Intergovernmental - Direct federal	129,600	134,390			263,990
Total revenues	56,301,415	6,765,119	-	4,430,465	67,496,999
Expenditures:					
Current:					
Instruction	34,497,887	4,910,207		134,296	39,542,390
Support services:					
Student	2,087,350	243,012		30,201	2,360,563
Instruction staff	2,002,857	1,024,487			3,027,344
District administrative	1,366,000				1,366,000
School administrative	3,894,144				3,894,144
Business	2,612,399	4,886			2,617,285
Plant operation and maintenance	5,986,764	94,303			6,081,067
Student transportation	3,287,298			2,402	3,289,700
Other instructional	-	4,639			4,639
Community service activities		633,268			633,268
Capital outlay:					
Facilities acquisition and construction			1,209,544		1,209,544
Land/site acquisition			8,700		8,700
Debt service:					
Principal				2,910,000	2,910,000
Other items				-	0
Interest				1,222,937	1,222,937
Issuance costs				60,035	60,035
Total expenditures	55,734,699	6,914,802	1,218,244	4,359,871	68,227,616
Excess (deficiency) of revenues over (under) expenditures	566,716	(149,683)	(1,218,244)	70,594	(730,617)
Other Financing Sources (Uses)					
Proceeds from bonds issued				3,700,000	3,700,000
Payment to refunded bond escrow agent				(3,611,605)	(3,611,605)
Premium on bonds issued				33,893	33,893
Discount on bonds issued				(41,171)	(41,171)
Proceeds from disposal of fixed assets	28,132				28,132
Transfers in	0	149,683	1,783,274	2,835,746	4,768,703
Transfers out	(1,932,957)			(2,835,746)	(4,768,703)
Total other financing sources (uses)	(1,904,825)	149,683	1,783,274	81,117	109,249
Net change in fund balance	(1,338,109)	-	565,030	151,711	(621,368)
Fund balance, July 1, 2015	5,600,364	-	-	777,283	6,377,647
Fund balance, June 30, 2016	\$4,262,255	\$ -	\$565,030	\$928,994	\$5,756,279

The accompanying notes are an integral part of these financial statements

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds		\$ (821,368)
Inventory is expensed under the purchases method in the fund financial statements, but must be reported as assets in the statement of net position		(7,189)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed (are less than) depreciation expense for the year.		
Capital outlays	2,165,973	
Depreciation expense	<u>(1,969,457)</u>	196,516
The proceeds for the issuance of bonds and bond anticipation notes provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.		(3,700,000)
Bond premiums, call premiums and discounts are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as deferred outflows in the statement of activities and amortized over the remaining life of the bonds. The difference is the amount by which the actual costs exceeds (are less than) amortization expenses for the year.		(33,216)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase (decrease) net position.		3,789
Bond payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		2,910,000
Payments to bond escrow agents are recognized as other financing uses in the fund financial statements, but are reductions in liabilities in the statement of net position.		3,611,605
Accruals of intergovernmental - state revenue related to interest paid on-behalf of the District by the state on long-term debt is not reported in this fund financial statement, but is presented as a receivable in the statement of net position		(84,757)
Accruals of interest and noncurrent sick leave do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental fund statements.		135,690
Net effect of deferred inflows and deferred outflows related to pension contributions		(551,775)
Payments on the insurance assessment are expensed in the fund financial statements, but are reductions in liabilities in the statement of net position.		47,846
		<hr/>
Change in net position of governmental activities		<u>\$ 1,907,141</u>

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Food Service Fund	Child Care Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$1,076,517	\$36,598	\$1,113,115
Inventory	75,722		75,722
Accounts receivable			
Intergovernmental - Indirect federal			0
Other, net	93,206		93,206
Total current assets	1,245,445	36,598	1,282,043
Noncurrent assets			
Capital assets	1,040,933		1,040,933
Less. Accumulated depreciation	(1,004,444)		(1,004,444)
Total noncurrent assets	36,489	-	36,489
Total assets	1,281,934	36,598	1,318,532
Deferred Outflows of Resources			
Deferred Outflows from CERS Contribution	384,634	23,424	408,058
Total Deferred Outflows	384,634	23,424	408,058
Total Assets and Deferred Outflows	\$1,666,568	\$60,022	\$1,726,590
Liabilities			
Current liabilities			
Accounts payable		\$35	\$35
Accrued payroll and related expenses	\$169,001	8,376	177,377
Current portion - accrued sick leave	1,719		1,719
Unearned revenue	16,811		16,811
Total current liabilities	187,531	8,411	195,942
Noncurrent liabilities			
Accrued sick leave	11,276		11,276
Net pension liability	2,037,384	169,514	2,206,898
Total noncurrent liabilities	2,048,660	169,514	2,218,174
Total liabilities	2,236,191	177,925	2,414,116
Deferred Inflows of Resources			
Deferred Inflows from CERS Contribution	29,287	5,863	35,150
Total Deferred Inflows	29,287	5,863	35,150
Net Position			
Net investment in capital assets	36,489		36,489
Unrestricted	(635,399)	(123,766)	(759,165)
Total net position	(598,910)	(123,766)	(722,676)
Total Liabilities, Deferred Inflows, and Net Position	\$1,666,568	\$60,022	\$1,726,590

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Food Service Fund	Child Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$457,082		\$457,082
Community service activities		\$78,174	78,174
Other operating revenues	52,475		52,475
Total operating revenues	509,557	78,174	587,731
Operating Expenses:			
Salaries and wages	1,215,077	76,233	1,291,310
Employee benefits	644,757	42,022	686,779
Contract services	62,433	2,562	64,995
Materials and supplies	1,641,624	5,963	1,647,587
Depreciation	11,964		11,964
Other operating expenses	29,763	180	29,943
Total operating expenses	3,605,618	126,960	3,732,578
Operating loss	(3,096,061)	(48,786)	(3,144,847)
Nonoperating Revenues (Expenses):			
Federal grants	2,826,664		2,826,664
State grants	314,444	36,361	350,805
Interest income	5,541	581	6,122
Total nonoperating revenues (expenses)	3,146,649	36,942	3,183,591
Change in net position	50,588	(11,844)	38,744
Net position, July 1, 2015, as restated	(649,498)	(111,922)	(761,420)
Net position, June 30, 2016	(\$598,910)	(\$123,766)	(\$722,676)

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Food Service Fund	Child Care Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$412,249		\$412,249
Community service activities		\$78,174	78,174
Other operating activities	52,475		52,475
Cash paid to/for:			
Employees	(1,514,970)	(95,336)	(1,610,306)
Supplies	(1,443,004)	(6,264)	(1,449,268)
Other activities	(62,433)	(2,562)	(64,995)
Net cash provided (used) by operating activities	<u>(2,555,683)</u>	<u>(25,988)</u>	<u>(2,581,671)</u>
Cash Flows from Noncapital Financing Activities			
Government grants	2,623,665	18,574	2,642,239
Insurance proceeds			0
Transfer in from other fund			0
Net cash provided (used) by noncapital financing activities	<u>2,623,665</u>	<u>18,574</u>	<u>2,642,239</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(6,190)		(6,190)
Net cash provided (used) by capital and related financing activities	<u>(6,190)</u>	<u>-</u>	<u>(6,190)</u>
Cash Flows from Investing Activities			
Receipt of interest income	5,541	581	6,122
Net cash provided (used) by investing activities	<u>5,541</u>	<u>581</u>	<u>6,122</u>
Net increase (decrease) in cash and cash equivalents	67,333	(6,833)	60,500
Balances, beginning of year	<u>1,009,184</u>	<u>43,431</u>	<u>1,052,615</u>
Balances, end of year	<u>\$1,076,517</u>	<u>\$36,598</u>	<u>\$1,113,115</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$3,096,061)	(\$48,786)	(\$3,144,847)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	11,964		11,964
On-behalf payments	281,214	17,787	299,001
Commodities received	236,229		236,229
Change in assets and liabilities			
Receivables - other	(37,236)		(37,236)
Inventory	(7,846)		(7,846)
Accounts payable		(121)	(121)
Accrued payroll & related expense	977	549	1,526
Accrued sick leave	(6,877)		(6,877)
Unearned revenue	(7,597)		(7,597)
Net pension liability	69,550	4,583	74,133
Net cash provided (used) by operating activities	<u>(\$2,555,683)</u>	<u>(\$25,988)</u>	<u>(\$2,581,671)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$236,229		\$236,229
Benefits paid by state of Kentucky on behalf of District	\$281,214	\$17,787	\$299,001

The accompanying notes are an integral part of these financial statements.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$546,060
Accounts receivable	<u>1,496</u>
Total assets	<u><u>\$547,556</u></u>
Liabilities	
Accounts payable	\$12,162
Due to student groups	<u>535,394</u>
Total liabilities	<u><u>\$547,556</u></u>

The accompanying notes are an integral part of these financial statements.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Hopkins County Board of Education. 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.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Hopkins County School District has one blended component unit.

Blended Component Unit:

Hopkins County School District Finance Corporation - In 1989, the Hopkins County, Kentucky, Board of Education resolved to authorize the establishment of the Hopkins County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hopkins County Board of Education also comprise the Corporation's Board of Directors.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

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

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.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. 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.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

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

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.
- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

- a) 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 for the corresponding debt service.
 - b) 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 may be used for projects identified in the District's facility plan and for the corresponding debt service.
 - c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs, and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Service Fund and the Child Care Fund.

- 1) The School 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 contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Child Care Fund is used to account for child care activities in its three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The District has no trust funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

(b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

(c) 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 governmental 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. A capitalization threshold applies to tangible property costing \$5,000 or more and has a useful life of more than one (1) year, all computers regardless of value, and theft sensitive items that maybe identified by the District. 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:

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

(d) Cash and Cash Equivalents/Restricted Cash/Investments

For purposes of the Statement of Cash Flows in the Proprietary Funds, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the general fund for the flexible spending account and in the capital projects funds per state requirements. Investments are restricted in the debt service fund per debt agreement.(See Notes 4 and 5)

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(d) Cash and Cash Equivalents/Restricted Cash/Investments, continued

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC and NCUSIF coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

(e) Accounts Receivable

An allowance for doubtful accounts is provided for accounts receivable in the Food Service Fund. Accounts receivable are reported net of this allowance, which was \$3,717 as of June 30, 2016.

(f) Inventories/Commodities

Supplies and materials are charged to expenditures when purchased at the fund statement level, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Similarly, due to the economic resources measurement focus, bus garage supply inventories are reported as an asset on the District-wide Statement of Net Position. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. For the purposes of the statement of cash flows, a federal grant received does not include noncash commodities received in the amount of \$236,229.

(g) Accrued Liabilities/Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are netted against the bond principal and are amortized on a straight-line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(g) Accrued Liabilities/Long-Term Obligations, continued

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

(h) Net Position and Fund Balance

District-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The components of net position that report the financial resources restricted to pay for construction activities (capital projects) or related debt service.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund.

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

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(h) Net Position and Fund Balance, continued

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

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

(i) 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(j) 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.

(k) 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.

(l) Compensated Absences (Accrued Sick Leave)

The Hopkins County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

(l) Compensated Absences (Accrued Sick Leave), continued

with more than twenty years of experience. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal leave.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

(m) Encumbrance Accounting

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

(n) Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(o) Pensions

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

(p) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions are reported in the statement of net position. A deferred outflow from pension's results from System contributions made subsequent to the

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources and Deferred Inflows of Resources, continued

measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability in the year ending June 30, 2017. The other components of deferred outflows are deferred and will be recognized as a reduction of pension expense over the next four years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions are reported in the statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

(q) Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2016 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

3. Property Taxes

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the Hopkins County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 66 cents per \$100 of assessed valuation on real estate and 66 on personal property, of which 6.0 cents is for participation in the Facility Support Program, and 54.7 cents per \$100 of assessed valuation on motor vehicles.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

4. Deposits and Investments

At June 30, 2016, the carrying amount of the District's deposits was \$11,400,733 and the bank balance was \$13,271,301. Of the bank balances, \$1,002,301 was insured by federal depository insurance, \$12,252,230 was covered by collateral held by the pledging bank's agent and \$26,354 was federally insured by the National Credit Union Share Insurance Fund.

The District's deposits at June 30, 2016 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Old National Bank - demand	\$ 120,353	\$ 61,428
Fifth Third Bank - demand	141,566	72,705
Hopkins County Credit Union - demand	26,354	26,328
First United Bank - demand	12,576,938	10,834,182
The Cecilian Bank - certificate of deposit	406,090	406,090
	<u>\$ 13,271,301</u>	11,400,733
Restricted cash		(688,393)
Restricted investments		(406,090)
Unrestricted cash and cash equivalents		<u>\$ 10,306,250</u>
Reported in the financial statements:		
Governmental funds: cash and cash equivalents (excluding petty cash of \$100)		\$ 8,647,075
Proprietary funds: cash and cash equivalents		1,113,115
Fiduciary funds: cash and cash equivalents		546,060
		<u>\$ 10,306,250</u>

5. Restricted Cash and Investments

Restricted cash at June 30, 2016 consists of the following:

Capital Projects Funds	
Capital Outlay Fund	\$ 122,790
Construction Fund	565,603
	<u>565,603</u>
Total Restricted Cash	<u>\$ 688,393</u>

Restricted investments at June 30, 2016 consists of the following:

Debt Service Fund (QZAB certificate of deposit)	<u>\$ 406,090</u>
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HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

6. Capital Assets

During the year ended June 30, 2016, the following changes occurred in capital assets:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Not depreciated:				
Land and land improvements	\$ 2,069,657		\$ -	\$ 2,069,657
Construction in progress	8,363,190	1,690,596	254,280	9,799,506
Totals not being depreciated	<u>10,432,847</u>	<u>1,690,596</u>	<u>254,280</u>	<u>11,869,163</u>
Depreciated:				
Buildings and improvements	68,291,816	272,880		68,564,696
Technology equipment	927,080	60,233	1,089	986,224
Vehicles	7,218,886	220,334	266,871	7,172,349
General equipment	4,099,096	176,210		4,275,306
Totals at historical cost	<u>80,536,878</u>	<u>729,657</u>	<u>267,960</u>	<u>80,998,575</u>
Less accumulated depreciation:				
Buildings and improvements	26,801,320	1,336,471	-	28,137,791
Technology equipment	754,487	84,535	1,089	837,933
Vehicles	5,241,173	473,071	234,951	5,479,293
General equipment	3,726,783	75,380	-	3,802,163
Total accumulated depreciation	<u>36,523,763</u>	<u>1,969,457</u>	<u>236,040</u>	<u>38,257,180</u>
Depreciated assets, net	<u>44,013,115</u>	<u>(1,239,800)</u>	<u>31,920</u>	<u>42,741,395</u>
Governmental Activities Capital Assets - Net	<u>\$ 54,445,962</u>	<u>\$ 450,796</u>	<u>\$ 286,200</u>	<u>\$ 54,610,558</u>
Business-Type Activities:				
Depreciated:				
General equipment	\$ 1,026,594	\$ 6,190		\$ 1,032,784
Technology equipment	8,149	-		8,149
Totals at historical cost	<u>1,034,743</u>	<u>6,190</u>	<u>-</u>	<u>1,040,933</u>
Less accumulated depreciation:				
General equipment	984,331	11,964		996,295
Technology equipment	8,149			8,149
Total accumulated depreciation	<u>992,480</u>	<u>11,964</u>	<u>-</u>	<u>1,004,444</u>
Business-Type Activities Capital Assets - Net	<u>\$ 42,263</u>	<u>\$ (5,774)</u>	<u>\$ -</u>	<u>\$ 36,489</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 45,329
Support services:	
Student	5,043
Instruction staff	512
District administrative	94,464
School administrative	2,820
Business	1,888
Plant operation and maintenance	1,389,665
Student transportation	<u>429,736</u>
Total depreciation expense	<u>\$ 1,969,457</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

7. Long-Term Debt

Bonds

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the issue dates and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996 (PES)	\$ 465,000	4.30% - 5.00%
Issue of 2004 (BSMS)	10,000,000	1.90% - 4.375%
Issue of 2004 (QZAB)	500,000	N/A (tax credits, in lieu of)
Issue of 2005 (BSMS)	1,800,000	2.85% - 4.25%
Issue of 2006 (PES)	1,545,000	3.40% - 4.00%
Issue of 2007 (Refunding) (MNHHS)	3,605,000	3.70% (term)
Issue of 2008 (Refunding) (GES)	1,780,000	2.50% - 3.25%
Issue of 2009 (Energy)	5,150,000	2.00% - 4.50%
Issue of 2009 (Refunding-WBES, EES, HES, WHS)	2,705,000	2.00% - 3.50%
Issue of 2011A (Career and Technical Center)	9,030,000	2.00% - 4.625%
Issue of 2011B (Refunding 2001)	9,320,000	2.00% - 3.00%
Issue of 2012 (Refunding 2004-BSMS)	9,150,000	1.00% - 2.375%
Issue of 2013 (Refunding 2005-BSMS)	1,215,000	1.70% - 2.10%
Issue of 2014 (HCCTCII)	4,155,000	2.25%-3.125%
Issue of 2014 BANS (HCTCCII)	2,355,000	1.00%
Issue of 2016 (Refunding 2009 Energy Bonds)	2,745,000	1.00%-2.25%
Issue of 2016 (Refunding 2006 PES)	955,000	1.00%-3.00%

Hopkins County School Building Revenue Bonds, Series of 1996, dated February 1, 1996, in the amount of \$465,000, were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school building project, consisting of the additions and renovations of Pride Avenue Elementary School.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series of 2004, dated October 15, 2004 in the amount of \$10,000,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school building project consisting of the additions and renovations of Browning Springs Middle School.

Hopkins County School District Finance Corporation Qualified Zone Academy Bonds, Series of 2004, dated December 21, 2004 in the amount of \$500,000 were issued for the purpose of providing funds to pay the cost, not otherwise provided, of renovating the Browning Springs Middle School. A certificate of deposit was purchased (currently \$406,090) bearing interest at 4.55% which will mature in December, 2020. Interest earned is reinvested annually into the certificate of deposit. The maturity and interest rate were determined in order to yield an amount at maturity of \$500,000, sufficient to retire the \$500,000 QZAB bond upon its maturity.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005 dated August 1, 2005 in the amount of \$1,800,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school construction project consisting of the renovation and improvements to Browning Springs Middle School.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2006 dated November 1, 2006 in the amount of \$1,545,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school construction project consisting of the renovation and additions to Pride Elementary School.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

7. Long-Term Debt, continued

Bonds, continued

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2007, dated December 18, 2007, in the amount of \$3,605,000 were issued to (i) provide for the payment of the interest on the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 1998-A, dated January 1, 1998, scheduled to mature on and after January 1, 2010 (the "Refunded Bonds"), on each January 1 and July 1 through January 1, 2023; (ii) provide for the redemption of the Refunded Bonds on January 1, 2010, at a redemption price of 102% of the principal amount redeemed; and (iii) provide for the payment of the costs of issuance incurred in connection with the Bonds. This refunding was undertaken to reduce total debt service payments over the next fifteen years by \$233,655 and resulted in an economic gain of \$182,996. In January, 2010, the remaining balance of the 1998-A bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2008 dated March 26, 2008 in the amount of \$1,780,000, were issued for the purpose of refunding the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 1997, dated June 1, 1997, scheduled to mature on and after June 1, 2008 (the "Refunded Prior Bonds"), which have been paid in full. This refunding was undertaken to reduce total debt service payments over the next ten years by \$130,920 and resulted in an economic gain of \$115,873.

Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 dated May 5, 2009 in the amount of \$5,150,000, were issued for the acquisition, installation, and construction of energy conservation measures at various schools in the Hopkins County School District.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2009, dated May 20, 2009, in the amount of \$2,705,000 were issued to (i) provide for refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 1999-A, at a redemption price of 101% of the principal amount redeemed; and (ii) provide for the refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 2000, at a redemption price of 101%. Net proceeds of \$843,531 were placed in an escrow account from which State and Local Government Securities (SLGS) were purchased for the purpose of generating resources for the future debt service payments on \$795,000 of refunded debt. As a result, \$795,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2000 were considered to be defeased and the liability was removed from long-term debt. This refunding (1999-A) and advance refunding (2000) was undertaken to reduce total debt service payment over the next eleven years by \$230,031 and resulted in an economic gain of \$195,233. The outstanding balance of the defeased 2000 bonds was \$375,000 as of June 30, 2016.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2011A dated April 5, 2011, in the amount of \$9,030,000 were issued to finance the construction of a new single story, approximately 39,700 square foot, career and technology center.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2011B, dated April 19, 2011, in the amount of \$9,320,000, were issued for the purpose of refunding the outstanding Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2001, dated January 15, 2001, scheduled to mature on and after June 1, 2012. The redemption price is 101% resulting in a redemption call premium of \$90,850. This refunding was undertaken to reduce total debt service payments over the next nine years by \$969,523 and resulted in an economic gain of \$889,520. In June, 2012 the remaining balance of the defeased 2001 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2012 dated February 7, 2012 in the amount of \$9,150,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004, dated October 15, 2004, scheduled to mature on and after October 1, 2020 (the "Bonds of 2004"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2004 due and payable on and

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

7. Long-Term Debt, continued

Bonds, continued

prior to October 1, 2014, and by calling for redemption on October 1, 2014 (the first permissible date at a redemption price of 100%), all of the Bonds of 2004 scheduled to mature on and subsequent to October 1, 2020, in order to obtain substantial savings in interest costs. Net proceeds of \$8,941,276 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$9,007,506 of refunded debt. As a result, \$7,990,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$655,956 and resulted in an economic gain of \$583,834. The outstanding balance of the defeased 2004 bonds was \$7,990,000 as of June 30, 2016.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013 dated February 5, 2013 in the amount of \$1,215,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005, dated August 1, 2005, scheduled to mature on and after August 1, 2016 (the "Bonds of 2005"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2005 due and payable on and prior to August 1, 2015, and by calling for redemption on August 1, 2015 (the first permissible date at a redemption price of 100%), all of the Bonds of 2005 scheduled to mature on and subsequent to August 1, 2016, in order to obtain substantial savings in interest costs. Net proceeds of \$1,173,618 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$1,372,220 of refunded debt. As a result, \$1,070,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$67,695 and resulted in an economic gain of \$61,516. The outstanding balance of the defeased 2005 bonds was \$1,070,000 as of June 30, 2016.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2014 dated July 2, 2014, in the amount of \$4,155,000 were issued to finance the construction of a new single story, approximately 39,736 square foot, career and technology center.

Hopkins County School District Finance Corporation School Building Bond Anticipation Notes (BANS), Series 2014 dated July 2, 2014, in the amount of \$2,355,000 were issued in anticipation of a 2017 Bond issuance to finance the construction of a new single story, approximately 39,736 square foot, career and technology center.

Hopkins County School District Finance Corporation Energy Conservation Refunding Revenue Bonds, Series 2016 dated June 9, 2016 in the amount of \$2,745,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009, dated May 5, 2009, maturing on or after May 1, 2022. Net proceeds of \$2,691,643 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$2,769,975 of refunded debt. As a result, \$2,475,000 of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$172,492 and resulted in an economic gain of \$154,178. The outstanding balance of the defeased 2009 bonds was \$2,475,000 as of June 30, 2016.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2016 dated February 25, 2016 in the amount of \$955,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2006, dated November 1, 2006, maturing on or after November 1, 2017. Net proceeds of \$937,825 were placed in an escrow account from which \$17,863 was to make a partial 05/01/2016 interest payment on the 2006 series bonds refunded with the remaining \$919,962 to purchase U.S. Government Securities were purchased for the purpose of generating resources for the future

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

7. Long-Term Debt, continued

Bonds, continued

debt service payments on \$940,725 of refunded debt. As a result, \$905,000 of the Hopkins County School District Finance Corporation Building Revenue Bonds, Series 2006 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$52,490 and resulted in an economic gain of \$49,914. The outstanding balance of the defeased 2006 bonds was \$905,000 as of June 30, 2016.

Participation Agreements

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. 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 (See Note 12).

Insurance Assessment

The Kentucky School Boards Insurance Trust (KSBIT) has notified all past and present members that they will be assessed to make up for a growing deficit in the Workers' Compensation Self-Insurance Fund. In August, 2014 the District recorded a liability of \$301,477. The District financed the Workers' Compensation liability portion through an interest free loan from KSBIT over 6 years after a 25% down payment. Annual payments are \$37,685.

Maturities

The annual debt service requirements to maturity for long-term debt payable as of June 30, 2016 are as follows:

	Hopkins County Board of Education		School Facilities Construction Commission		Total Interest	Total Principal	Total Requirement
	Interest	Principal	Interest	Principal			
2016-17	782,066	2,074,552	287,942	920,448	1,070,008	2,995,000	4,065,008
2017-18	715,486	4,494,169	267,097	810,831	982,583	5,305,000	6,287,583
2018-19	639,746	2,207,427	249,824	827,573	889,570	3,035,000	3,924,570
2019-20	548,490	2,420,063	230,841	629,937	779,331	3,050,000	3,829,331
2020-21	473,083	3,004,776	217,237	530,224	690,320	3,535,000	4,225,320
2021-22	406,442	2,586,599	205,661	543,401	612,103	3,130,000	3,742,103
2022-23	337,462	2,666,963	191,660	558,037	529,122	3,225,000	3,754,122
2023-24	258,806	2,751,942	176,175	568,058	434,981	3,320,000	3,754,981
2024-25	187,594	2,836,619	159,078	588,381	346,672	3,425,000	3,771,672
2025-26	137,202	2,050,784	140,605	614,216	277,807	2,665,000	2,942,807
2026-27	57,356	1,116,668	122,738	473,332	180,094	1,590,000	1,770,094
2027-28	17,322	352,471	107,510	402,529	124,832	755,000	879,832
2028-29	9,551	362,397	92,642	417,603	102,193	780,000	882,193
2029-30	1,118	11,771	75,712	453,229	76,830	465,000	541,830
2030-31	574	12,411	55,988	477,589	56,562	490,000	546,562
2031-32	-	-	35,200	250,000	35,200	250,000	285,200
2032-33	-	-	25,000	260,000	25,000	260,000	285,000
2033-34	-	-	14,300	275,000	14,300	275,000	289,300
2034-35	-	-	4,400	220,000	4,400	220,000	224,400
2035-36	-	-	-	-	-	-	-
TOTALS	\$ 4,572,298	\$ 28,949,612	\$ 2,659,610	\$ 9,820,388	\$ 7,231,908	\$ 38,770,000	\$ 46,001,908

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

7. Long-Term Debt, continued

Maturities, continued

During the year ended June 30, 2016, the following changes occurred in the long-term debt:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Revenue bonds:					
Issue of 1996 (PES)	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ -
Issue of 2004 (BSMS)	1,345,000	-	30,000	1,315,000	30,000
Issue of 2004 (QZAB)	500,000	-	-	500,000	-
Issue of 2005 (BSMS)	85,000	-	85,000	-	-
Issue of 2006 (PES)	1,050,000	-	975,000	75,000	75,000
Issue of 2007 (Refunding)	2,650,000	-	180,000	2,470,000	185,000
Issue of 2008 (Refunding)	395,000	-	195,000	200,000	200,000
Issue of 2009 (Energy)	3,920,000	-	2,700,000	1,220,000	230,000
Issue of 2009 (Refunding-var.)	1,230,000	-	270,000	960,000	275,000
Issue of 2011A (CTC)	8,340,000	-	235,000	8,105,000	250,000
Issue of 2011B (Refunding)	5,305,000	-	1,265,000	4,040,000	1,305,000
Issue of 2012 (Refunding-BSMS 2004)	8,820,000	-	115,000	8,705,000	115,000
Issue of 2013 (Refunding-BSMS 2005)	1,175,000	-	20,000	1,155,000	110,000
Issue of 2014 (HCCTCII)	4,155,000	-	175,000	3,980,000	175,000
Issue of 2014 BANS (HCCTCII)	2,355,000	-	-	2,355,000	-
Issue of 2016 (Refunding- Energy 2009)	-	2,745,000	-	2,745,000	35,000
Issue of 2016 (Refunding- PES 2006)	-	955,000	10,000	945,000	10,000
Total bonds payable	<u>41,360,000</u>	<u>3,700,000</u>	<u>6,290,000</u>	<u>38,770,000</u>	<u>2,995,000</u>
Unamortized premium/discount	(444,519)	(7,278)	(74,202)	(377,595)	(39,994)
Net bonds payable	<u>40,915,481</u>	<u>3,692,722</u>	<u>6,215,798</u>	<u>38,392,405</u>	<u>2,955,006</u>
Compensated absences	1,359,004	-	358,565 (A)	1,000,439	334,316
Insurance assessment	198,584	-	47,846	150,738	-
CERS pension liability	11,147,685	3,385,114	-	14,532,799	-
	<u>\$ 53,620,754</u>	<u>\$ 7,077,836</u>	<u>\$ 6,622,209</u>	<u>\$ 54,076,381</u>	<u>\$ 3,289,322</u>
Business-type activities:					
CERS pension liability	1,720,315	486,583	-	2,206,898	-
Compensated absences	19,872	-	6,877	12,995	1,719
	<u>\$ 1,740,187</u>	<u>\$ 486,583</u>	<u>\$ 6,877</u>	<u>\$ 2,219,893</u>	<u>\$ 1,719</u>

(A) This amount represents the net change in compensated absences, ie, days earned less days taken and/or paid.

8. Retirement Plans

KTRS

Plan description - Teaching-certified employees of the Hopkins County School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. 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 issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

8. Retirement Plans, continued

KTRS, continued

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

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

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

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

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

Funding policy- Contribution rates are established by KRS. Members are required to contribute 12.855% of their salaries. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

The Hopkins County School District's total payroll for the year was \$39,966,087. The payroll for employees covered under KTRS was \$30,110,471. For the year ended June 30, 2016, the Commonwealth contributed \$4,604,365 to KTRS for the benefit of our participating employees. The District's contributions to KTRS for the years ending June 30, 2016, 2015 and 2014 were \$1,140,747, \$934,942, and \$665,335, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

CERS

Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS). CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Section 61 645 of the Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The Kentucky Retirement System issues a publicly available financial report that includes financial

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

8. Retirement Plans, continued

CERS, continued

statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000

Plan members are required to contribute 5% (6% if hired after September, 2008) of their annual creditable compensation. The District is required to contribute at an actuarially determined rate. The current rate is 17.06% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by KRS Board of Trustees. The District's contributions to CERS for the years ended June 30, 2016, 2015 and 2014 were \$1,470,072, \$1,544,426, and \$1,705,778, respectively, equal to the required contributions for each year.

Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans, but retains authority to amend or terminate these plans. During the year ended June 30, 2016, employees of the District contributed \$316,895 to 401(k) plans and \$94,601 to 403(b) plans.

9. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and 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 report these assets and liabilities on its financial statements. The District does not contribute to these plans. Employees of the District contributed \$265,261 to these plans during the year ended June 30, 2016.

10. Post Employment Health Care Benefits

Plan description – In addition to the pension benefits described in Note 9, Kentucky Revised Statute 161.675 requires KTRS to provide access to 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 either 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.

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District's contribution to the Retiree Medical Insurance Fund for the years ending June 30, 2016, 2015 and 2014 were \$848,883, \$629,713 and \$412,400, respectively.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

At June 30, 2016, the District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Commonwealth's proportionate share of the CERS net pension liability associated with the District	\$ 16,739,697
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>222,633,493</u>
	<u>\$ 239,373,190</u>

The net pension liability for each plan was measured as of June 30, 2015, 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 (NPL) for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was 0.38934% percent (CERS ONLY, because we aren't recognizing a NPL for KTRS).

For the year ended June 30, 2016, the District recognized pension expense of \$589,872 related to CERS and \$4,604,365 related to KTRS. The District also recognized revenue of \$4,604,365 (KTRS Schedule A) for KTRS support provided by the Commonwealth. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,113	\$ -
Changes of assumptions	1,688,015	-
Net difference between projected and actual earnings on pension plan investments	150,058	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	188,134
District contributions subsequent to the measurement date	<u>1,218,369</u>	<u>-</u>
Total	<u>\$ 3,195,555</u>	<u>\$ 188,134</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

\$1,218,369 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$677,332
2018	\$677,332
2019	\$320,640
2020	\$301,890

Actuarial assumptions—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Projected future benefit payments for all current plan members were projected through 2117.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return (diversified inflation strategies)	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return (diversified hedge funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash	2.0%	-0.25%
Total	100.0%	

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

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—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability. 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 28 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.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

For KTRS, the discount rate used to measure the total pension liability was 4.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.82% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. Because the District's proportionate share of the KTRS net pension liability is zero, consideration of potential changes in the KTRS discount rate is not applicable to the District:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	21,370,399	16,739,697	12,774,051
KTRS	3.88%	4.88%	5.88%
District's proportionate share of net pension liability	-	-	-

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

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

12. Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or to 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 grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As shown in Note 7, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 1996(100%), 2005(100%), 2006(100%), 2008(59%), 2009Ref(100%), 2011A(36%), 2005(100%), 2014 (100%), 2016 Revenue Refunding (100%). In the unlikely event the KSFCC defaults on their portion of the bond series, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2016, was \$12,479,998.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

12. Contingencies, continued

Per an annexation agreement dated June 16, 1998, the Dawson Springs Independent School District (DSISD) agreed to be responsible for the debt service on certain outstanding bonds through 2019. DSISD paid \$11,387 during the year to the District and the balance of the obligation was \$32,962 as of June 30, 2016. Should the DSISD not fulfill its obligation, the District is responsible for the full amount of the debt service. It is the District's policy to recognize the amounts received each year as income from other local governments.

A potential claim exists in that an internal complaint has been filed against the District. The likelihood of an unfavorable result in this matter is neither probable nor remote but not unlikely. The range for potential loss cannot be estimated with any accuracy.

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. The District purchases unemployment insurance through the Kentucky School Boards.

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

14. Deficit Operating/Fund Balances

There are funds of the District that currently have a deficit net position because of the implementation of GASB 68 and other funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance. The operating deficits were funded by available resources at the beginning of the year.

	Operations	Net Position
General Fund	\$ 1,338,109	
Debt Service Fund	\$ 8,869	
Food Service Fund		\$ 598,910
Child Care Fund	\$ 11,844	\$ 123,766

15. COBRA

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

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

16. Interfund Balances and Transfers

There were no interfund balances as of June 30, 2016.

The following transfers were made during the year ended June 30, 2016:

From Fund	To Fund	Purpose	Amount
Nonmajor Governmental Funds:			
Capital Projects (Building Fund)	Debt Service	Bond payments	\$ 2,334,851
Capital Projects (Capital Outlay)	Debt Service	Bond payments	500,895
Total Nonmajor Governmental Funds			<u>2,835,746</u>
General Fund	Special Revenue	Matching (KETS)	149,683
General Fund	Construction Fund	Construction Payment	1,783,274
			<u>\$ 4,768,703</u>

17. Commitments/Impairment/Litigation (Construction Projects)

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2016.

Project	Commitment	To Date	Remaining
Career and Technical Center-New Site (BG 14-103)	\$ 11,629,677	\$ 9,751,001	\$ 1,878,676
HCCHS Baseball & Softball Restroom Facility (BG 16-169)	140,726	12,515	128,211
MNHHS-Baseball Building (BG 14-242)	254,280	254,280	-
Railroad Street Property Acquisition (BG 16-204)	197,700	8,700	189,000
Total	<u>\$ 12,222,383</u>	<u>\$ 10,026,496</u>	<u>\$ 2,195,887</u>

The District is currently the plaintiff in litigation regarding the original Center site. A probable and reasonable estimate of the outcome of the litigation cannot be determined at this time. The commitments were transferred to a new BG-1 for construction of a new Center at a different location.

The District has received \$369,278 in insurance recoveries related to the Center. This amount is in dispute and is, therefore, reported as unearned revenue in the General Fund.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

18. On-Behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2016. The amounts are included in the General Fund and Debt Service Fund, as "Intergovernmental-State" revenues and in the Food Service Fund and Child Care Fund as "State grants." These amounts are not budgeted. In the General Fund, the retirement and technology payments are recorded as additional instruction expense and the health insurance, life insurance, administration fee and health reimbursement account payments are allocated to the various expense functions based on a ratio of employees. In the Debt Service Fund, the payments are recorded as principal and interest expenditures. In the Food Services Fund and Child Care Fund, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 4,604,365
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	7,346,307
Technology	105,618
Debt Service	1,249,229
Total On-Behalf Payments	\$ 13,305,519
Reported in:	
General Fund	\$ 11,757,289
Debt Service Fund	1,249,229
Food Service Fund	281,214
Child Care Fund	17,787
	\$ 13,305,519

19. Correction of an Error and Related Changes to Certain Beginning Balances

July 1, 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. In 2016, the District discovered an error was made in recording these amounts resulting in adjustments to beginning balances of Net Position.

For the Government Funds, the adjustment resulted in a \$388,241 reduction in beginning net position on the Statement of Activities, and a reduction of \$388,241 in deferred outflows of resources - District contributions subsequent to the measurement date.

For the Proprietary Funds, the adjustment resulted in a \$55,058 and \$4,856 reduction in beginning net position on the Statement of Revenues, Expenses, and Changes in net position for the Food Service and Child Care Funds, respectively, and a reduction of \$55,058 and \$4,856 in deferred outflows of resources- District contributions subsequent to the measurement date, respectively.

Effective July 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." During the current fiscal year, it was determined an error was made in implementing this Statement resulting in adjustments to beginning balances of Net Position.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

19. Correction of an Error and Related Changes to Certain Beginning Balances, continued

For the Governmental Funds, the adjustment resulted in a \$1,013,334 increase in beginning net position on the Statement of Activities and an increase of \$1,013,334 in deferred outflows of resources from bond refundings- the difference between the reacquisition price of the new debt and the net carrying amount of the old debt that was defeased when undertaking a current or advanced refunding of bonds.

20. Subsequent Events

Management has evaluated subsequent events through November 10, 2016, the date on which the financial statements were available to be issued.

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources				
Taxes				
Property	\$ 12,510,000	\$ 12,510,000	\$ 13,146,039	\$ 636,039
Motor vehicle	1,500,000	1,500,000	1,775,706	275,706
Unmined mineral	100,000	100,000	323,047	223,047
Other	75,000	75,000	172,552	97,552
Tuition	0	0	4,355	4,355
Earnings on investments	35,000	35,000	65,783	30,783
Student activities	0	0	240	240
Other local revenues	5,500	5,500	206,028	200,528
Intergovernmental - Local	11,000	11,000	123,588	112,588
Intergovernmental - State	39,579,946	39,579,945	40,354,478	774,533
Intergovernmental - Direct Federal	100,000	100,000	129,600	29,600
Total revenues	<u>53,916,446</u>	<u>53,916,445</u>	<u>56,301,415</u>	<u>2,384,970</u>
Expenditures:				
Current				
Instruction	34,097,986	33,995,065	34,497,887	(502,822)
Support Services.				
Student	2,074,147	2,075,146	2,087,350	(12,204)
Instruction staff	2,047,424	2,046,100	2,002,857	43,243
District administrative	1,691,268	1,723,581	1,366,000	357,581
School administrative	3,787,784	3,858,716	3,894,144	(35,428)
Business	2,662,836	2,662,836	2,612,399	50,437
Plant operation and maintenance	6,983,978	6,983,978	5,988,764	997,214
Student transportation	3,629,261	3,629,261	3,287,298	341,963
Other instructional				-
Community service activities				-
Debt service				-
Principal				-
Interest				-
Issuance costs				-
Total expenditures	<u>56,974,684</u>	<u>56,974,683</u>	<u>55,734,699</u>	<u>1,239,984</u>
Excess (deficit) of revenues over expenditures	<u>(3,058,238)</u>	<u>(3,058,238)</u>	<u>566,716</u>	<u>3,624,954</u>
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets			28,132	28,132
Operating transfers in	201	201		
Operating transfers out	(150,201)	(150,201)	(1,932,957)	(1,782,756)
Contingency	(2,500,000)	(2,500,000)		2,500,000
Total other financing sources (uses)	<u>(2,650,000)</u>	<u>(2,650,000)</u>	<u>(1,904,825)</u>	<u>745,175</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(5,708,238)</u>	<u>(5,708,238)</u>	<u>(1,338,109)</u>	<u>4,370,129</u>
Fund balance, July 1, 2015	<u>5,708,238</u>	<u>5,708,238</u>	<u>5,600,364</u>	<u>(107,874)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,262,255</u>	<u>\$ 4,262,255</u>

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Earnings on investments			\$3,346	\$3,346
Student activities	\$ -		8,000	8,000
Other	35,126	49,174	116,948	67,774
Intergovernmental - State	2,607,861	1,754,892	2,276,138	521,246
Intergovernmental - Indirect federal	4,104,758	1,989,996	4,226,297	2,236,301
Intergovernmental - Direct federal	201,939	134,390	134,390	0
Total revenues	<u>6,949,684</u>	<u>3,928,452</u>	<u>6,765,119</u>	<u>2,836,667</u>
Expenditures:				
Current:				
Instruction	5,251,381	2,616,484	4,910,207	(2,293,723)
Support services:				
Student	114,834	26,761	243,012	(216,251)
Instruction staff	1,008,979	780,766	1,024,487	(243,721)
District administrative				-
School administrative				0
Business	4,578	4,886	4,886	0
Plant operation and maintenance	95,069	75,784	94,303	(18,519)
Student transportation	5,375	0		0
Central office				-
Other instructional	0	4,639	4,639	0
Community services	619,468	620,268	633,268	(13,000)
Capital outlay:				
Facilities acquisition and construction				-
Total expenditures	<u>7,099,684</u>	<u>4,129,588</u>	<u>6,914,802</u>	<u>(2,785,214)</u>
Excess (deficit) of revenues over expenditures	<u>(150,000)</u>	<u>(201,136)</u>	<u>(149,683)</u>	<u>51,453</u>
Other Financing Sources (Uses):				
Proceeds from sale of assets				-
Operating transfers in	150,000	149,683	149,683	0
Operating transfers out				-
Total other financing sources (uses)	<u>150,000</u>	<u>149,683</u>	<u>149,683</u>	<u>0</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>(51,453)</u>	<u>-</u>	<u>51,453</u>
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ (51,453)</u>	<u>\$ -</u>	<u>\$ 51,453</u>

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR BUDGETARY PROCESS
FOR THE YEAR ENDED JUNE 30, 2016

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the plan total net pension liability	0.9567%	0.9322%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>222,633,493</u>	<u>191,555,888</u>
Total	<u>\$ 222,633,493</u>	<u>\$ 191,555,888</u>
District's covered-employee payroll	\$ 30,110,471	\$ 29,977,541
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	45.59%

*Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016
 Last 10 Fiscal Years*

	2016	2015
District's contractually required contributions	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-
Contribution deficiency (excess)	\$ -	-
District's covered-employee payroll	\$ 30,110,471	\$ 29,977,541
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

*Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS RETIREMENT SYSTEM

For The Year Ended June 30, 2016

Changes of Benefit Terms

None

Changes of Assumptions

- The municipal bond index rate decreased from 4.35% to 3.82%
- The single equivalent interest rate, net of pension plan investment expense, including inflation decreased from 5.23% to 4.88%.
- The year FNP is projected to be depleted increased from the year 2036 to the year 2039.
- Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.
- The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005- June 30, 2010 adopted by the Board on December 19, 2011.
- 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.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.389340%	0.396633%
District's proportionate share of the net pension liability	\$ 16,739,697	\$ 12,868,000
District's covered-employee payroll	\$ 8,617,062	\$ 8,740,258
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	194.26%	147.23%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

*Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2016

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,070,239	\$ 1,114,383
Contributions in relation to the contractually required contributions	<u>(1,070,239)</u>	<u>(1,114,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,617,062	\$ 8,740,258
Contributions as a percentage of covered-employee payroll	12.42%	12.75%

*Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM

For The Year Ended June 30, 2016

Changes of Benefit Terms

None

Changes of Assumptions

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disability Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvements in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents		\$ -		\$ 319,156	\$ 319,156
Accounts receivable:					
Local				31	31
Accrued interest receivable			\$ 81,020		81,020
Prepaid expenses			406,090		406,090
Restricted investments					122,790
Restricted cash	\$ -	122,790	-		122,790
Total assets	<u>\$ -</u>	<u>\$ 122,790</u>	<u>\$ 487,110</u>	<u>\$ 319,187</u>	<u>\$ 929,087</u>
Liabilities					
Accounts payable				\$ 93	\$ 93
Due to other funds					-
Non current Bond Obligation					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>93</u>	<u>93</u>
Fund Balances					
Nonspendable:					
Prepaid expenses			\$ 81,020		\$ 81,020
Restricted for:					
Capital projects	\$ -	\$ 122,790			122,790
Debt service			406,090		406,090
Committed:					
District Activity Funds				319,094	319,094
Total fund balances	<u>-</u>	<u>122,790</u>	<u>487,110</u>	<u>319,094</u>	<u>928,994</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 122,790</u>	<u>\$ 487,110</u>	<u>\$ 319,187</u>	<u>\$ 929,087</u>

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$1,302,490				\$1,302,490
Earnings on investments			\$18,011		18,011
Intergovernmental - State	1,032,361	\$ 623,685	1,249,229		2,905,275
Other Student Income District Activity Fund				\$204,689	204,689
Total revenues	<u>2,334,851</u>	<u>623,685</u>	<u>1,267,240</u>	<u>204,689</u>	<u>4,430,465</u>
Expenditures:					
Capital outlay					
Facilities acquisition and construction					
Debt Service:					
Principal			2,910,000		2,910,000
Interest			1,222,937		1,222,937
Bond Issuance costs			60,035		60,035
Other Items					-
District Activity					
Instruction				134,298	134,298
Support Services				30,201	30,201
Student Transportation				2,402	2,402
Total expenditures	<u>-</u>	<u>-</u>	<u>4,192,972</u>	<u>166,899</u>	<u>4,359,871</u>
Excess (deficit) of revenues over expenditures	<u>2,334,851</u>	<u>623,685</u>	<u>(2,925,732)</u>	<u>37,790</u>	<u>70,594</u>
Other Financing Sources (Uses)					
Proceeds from bonds issued			3,700,000		3,700,000
Payments to refunded bond escrow agent			(3,611,605)		(3,611,605)
Premium on bonds issued			33,893		33,893
Discount on bonds issued			(41,171)		(41,171)
Transfers in			2,835,746		2,835,746
Transfers out	(2,334,851)	(500,895)			(2,835,746)
Total other financing sources (uses)	<u>(2,334,851)</u>	<u>(500,895)</u>	<u>2,916,863</u>		<u>81,117</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>122,790</u>	<u>(8,869)</u>	<u>37,790</u>	<u>151,711</u>
Fund balance, July 1, 2015			<u>495,979</u>	<u>281,304</u>	<u>777,283</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 122,790</u>	<u>\$487,110</u>	<u>\$318,094</u>	<u>\$928,994</u>

**HOPKINS COUNTY SCHOOL DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
 ALL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

<u>School</u>	<u>Cash Balances July 1, 2015</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Cash Balances June 30, 2016</u>	<u>Accounts Receivable June 30, 2016</u>	<u>Accounts Payable June 30, 2016</u>	<u>Fund Balances June 30, 2016</u>
Hopkins County Central High	\$140,496	\$639,865	\$640,576	\$139,784	\$0	\$2,729	\$137,055
Madisonville North Hopkins High	181,107	617,964	628,274	170,797	110	0	170,907
	<u>321,602</u>	<u>1,257,829</u>	<u>1,268,850</u>	<u>310,581</u>	<u>110</u>	<u>2,729</u>	<u>307,962</u>
Hopkins County Career & Tech Center	0	7,360	4,959	2,401	10		2,411
Academy	4,476	875	0	5,351			5,351
Browning Springs Middle	18,694	99,444	83,407	34,731		6,400	28,330
Central Office- various*	3,751	2,523	6,274	0			0
Earlington Elementary	7,840	25,107	27,306	5,641			5,641
Grapevine Elementary	4,930	36,175	35,237	5,868			5,868
Hanson Elementary	22,652	46,899	52,942	16,609			16,609
James Madison Middle	55,917	124,312	122,360	57,869			57,869
Jesse Stuart Elementary	11,604	45,240	44,103	12,741			12,741
Pride Elementary	8,021	33,776	34,188	7,607	1,376	1,233	7,750
Southside Elementary	10,521	42,760	44,415	8,866			8,866
South Hopkins Middle	46,770	148,295	147,719	47,346			47,346
West Broadway Elementary	16,469	35,109	37,624	13,954			13,954
West Hopkins	20,292	49,512	53,309	16,495		1,800	14,695
	<u>\$553,539</u>	<u>\$1,955,216</u>	<u>\$1,962,695</u>	<u>\$546,060</u>	<u>\$1,496</u>	<u>\$12,162</u>	<u>\$535,394</u>

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
HOPKINS COUNTY CENTRAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Cash Balances July 1, 2015	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2016	Accounts Receivable June 30, 2016	Accounts Payable June 30, 2016	Fund Balances June 30, 2016
Academic Team	\$0	\$7,303	\$6,153	\$108	\$1,258			\$1,258
Alr Force ROTC	0				0			0
AP Test	7,899	10,275	11,372		6,802			6,802
Archery Club	5,825	18,890	24,539	235	412		45	367
Art	0				0			0
Art Club	630	210	367		473			473
Athletic Dept.	15,111	126,705	109,246	(25,406)	7,163		207	6,956
Band	2,966	10,069	11,820	(30)	1,185			1,185
Baseball	288	12,029	12,971	810	157			157
Bass Fishing	0				0			0
Beta Club	659				659			659
Bookstore	2,974	6,159	7,725		1,408		163	1,245
Boys Basketball	101	3,995	6,691	3,183	588		206	382
Business Dept.	0	1,701	1,679		22			22
Change	0	850	850		0			0
Cheerleaders	8,231	7,997	15,797	3,790	4,221			4,221
Chorus	2,178	4,410	3,779	(25)	2,784			2,784
Chorus Trip	0				0			0
Concessions	1,491	44,374	33,206	4,865	17,324			17,324
Cross Country	253	4,229	3,987	100	595			595
Custodial Acct	354	60	300		115			115
Dance Squad	257	9,399	13,831	4,268	93		622	(528)
DAF	4,746	10	24,290	24,290	4,756			4,756
Decals	0				0			0
Drama	234			(25)	209			209
Driver education	2,081	4,775	524	25	6,357			6,357
Embroidery	176		150		26			26
Employee of the Month	802		95	(71)	636			636
Exceptional Entire.	0				0			0
Extended School	0				0			0
Fan Club	141				141			141
F.B.L.A.	1,652	262	1,810		105			105
F.C.A.	130		102		28			28
F.F.A.	1,524	36,103	36,152	2,835	4,310		117	4,193
F.C.C.L.A.	560	30			590			590
Football	6,390	4,415	11,617	2,872	2,060			2,060
(4)Four H Club	1,030	676	628		1,080			1,080
Freshman Class	1,050	1,542	711	(850)	1,031			1,031
Girls Basketball	953	17,958	16,175	(1,500)	1,234		365	870
Girls Volleyball	1,145	60	972	540	772			772
Golf Girls	2,007				2,007			2,007
Golf Boys	5,708	1,380	2,508		4,582			4,582
Greenhouse	2,734	101		(2,835)	0			0
Guidance Testing	1,179	1,487	947	406	2,125			2,125
Hall of Fame	334				334			334
Holiday BB Tourn.	0				0			0
Home Ec	764	2,936	3,021	18	697			697
HOSA	1,163	7,381	7,554		989		500	489
Instructional	54	5,585	3,754	(500)	1,385		100	1,285
Kenny Harris	0		(250)		250			250
Key Club	0	1,250	121		1,129			1,129
MCLC	35				35			35
Media Center	25	39		8	73			73
Miscellaneous	54	101,894	101,007		941			941
National Honor Society	734	23,252	14,200	500	10,286			10,286
Olympic Field Day	5,250	4,650	5,066	390	5,224			5,224
Outdoorsmen's Club	113	15			128			128
PBIS	2,529		228		2,300			2,300
Pep Club	2	2,710	2,493		219			219
Project Grad.	4,863	4,635	10,585	1,100	13			13
ROTC Cadets	3,563	34,062	32,579	(42)	5,003			5,003
Science & Math Club	2,501		505	(697)	1,299			1,299
Second Region AD	0				0			0
Sophomore Class	2,348	991		(1,408)	1,931			1,931
Senior Trip	0	48,560	49,392	840	8			8
Senior Class	734	1,200	2,091	1,148	992			992
Shout Outs	5			(5)	0			0
Soccer Boys	677	500	3,155	2,374	396			396
Soccer Girls	1,993	100		340	2,433			2,433
Softball	1,367	785	2,229	360	283			283
Junior Class	3,193	5,395	4,753	(111)	3,725		149	3,576
South Hopkins	0				0			0
Spanish Club	696	1,369	1,825	(25)	315			315
STLP	11		6		5			5
Storm Hoops Banner	100			(100)	0			0
Student Vending	6,213	734	3,220		3,727		92	3,635
Summer School	0	910	30		880			880
Swim	683	4,715	4,030	275	1,643			1,643
Teacher Vending	3,529	3,475	3,636	71	3,439		66	3,373
Tennis	1,143	909	1,048	80	1,084			1,084
Textbook Rental	0	25,848		(23,008)	2,839			2,839
Track	1,809	2,197	4,969	1,693	730			730
TSA	271	20			291			291
Yearbook	5,681	12,380	15,209		2,852		97	2,755
YSC TOP	107			(107)	0			0
Youth Service Center	4,292	3,918	3,032	(579)	4,597			4,597
TOTAL	\$140,496	\$639,865	\$640,576	(\$0)	\$139,784	\$0	\$2,729	\$137,055

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MADISONVILLE NORTH HOPKINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Cash Balances				Cash Balances June 30, 2016	Accounts Receivable June 30, 2016	Accounts Payable June 30, 2016	Fund Balances June 30, 2016
	July 1, 2015	Receipts	Disbursements	Transfers				
Academic Team					0			0
Administrative		7,033	5,886	\$808	2,045			2,045
Adv Leadership	41				41			41
Ag Consumables					0			0
Annual	13,462	22,560	22,143	(2,100)	11,779			11,779
Archery	868	3,386	3,597		657			657
Art Club	62				62			62
Art Department		110			110			110
Athletic Dept.	20,515	104,224	110,549	(\$255)	13,935			13,935
Athletic Extras	410		332		78			78
Band	4,609	147,174	149,540	100	2,243			2,243
Baseball Program	1,233	925	1,779	(112)	207			207
Basketball Boys	31	500	404		127			127
Base Fishing	2,157	3,730	2,946		2,840			2,940
Beta Club	568	1,140	1,641		68			68
Beta Delta	2,345				2,345			2,345
Boys Cross Country	1,752	3,460	3,290		1,922			1,922
Boys Track	280	1,772	1,010		1,048			1,048
Brag Tags	904	120	236		789			789
Business Dept				295	295			295
Cheerleaders	208	16,692	16,901		0			0
Chemistry Club	120		119	(1)	0			0
Chess Club	111			(111)	0			0
Chem. Safety Equip.					0			0
Coke Machine	2,501	2,691	(75)		4,667	70		4,737
Cross Country	1,360	2,230	3,047		542			542
Culinary Club	864	3,157	2,852	802	1,770			1,770
Culinary Skills	120			(120)	0			0
DAF	55	175	56,570	66,570	230			230
Dance Team	1,111		1,828		483			483
Distributive Education	1,854	1,200		(1,634)	0			0
Donor Scholarship	500				500			500
Drafting/North Eng	24				24			24
Drama	5,953	480	3,283		3,150			3,150
Dream Team	415		276		139			139
Drivers Training		8,225		(8,225)	0			0
Educators Rising		50			50			50
English Dept	33	2,302	2,316		18			18
Faculty Fund	498	2,221	1,341		1,377	40		1,417
Faculty Fund/Flowers		274	107		167			167
Fellowship of Christian Ath.	359	650	944		65			65
F.B.L.A.	1,827	7,557	9,419	2,000	2,485			2,485
F.F.A.	1,494	17,741	17,883	(181)	1,171			1,171
F.F.A. Greenhouse	5,792	4,107	1,850		8,048			8,048
F.H.A.	535	2,508	2,809		232			232
Food Products	206	213			419			419
Football Fund	306	1,198	325		1,177			1,177
FOR Club		183	172		10			10
Glee Club	3,029	1,380	4,417		2			2
Glee Basketball	2	3,075	1,571		1,506			1,506
Girls Softball	2	25	200		352			352
Girls Track	527				1,475			1,475
Glee Club	30	40,412	38,991	15	991			991
Golf Program	2,648	3,839	5,497		11,882			11,882
Guidance	33,147	25,968	47,234		516			516
Health Occup	307	5,590	5,321	(60)	104			104
Holmes Budget		300	171	(23)	0			0
Home Economics Dept	24		500	(24)	3,000			3,000
Homg/Studies	3,500				539			539
Industrial Arts	9	218	(312)		25			25
Incentive Program	15	10			1,383			1,383
Key Club	1,633	4,691	5,741	800	867			867
KUNA		5,930	5,064		3,148			3,148
Letterman Association	2,573	1,025	449		20			20
Library	36		36	(5,835)	0			0
Locker Fund	25	8,259	422	(9)	206			206
Lost Book	188	206	177		250			250
Math Department	250				173			173
Modern Foreign Language	173				0			0
Multi Culture Club	187			(187)	0			0
Not in my School	67			(67)	0			0
NOW Account	298			(298)	0			0
NJROTC	4,518	16,794	7,638	(430)	13,244			13,244
Olympic Field Day		18,363	8,918	(600)	8,967			8,967
Parking Tags		410		(250)	160			160
PSIS	695	325	983	2,262	2,299			2,299
PE	88	335	63		260			260
PEP Club	356			(356)	0			0
Project Graduation	2,301	14,115	14,911		1,505			1,505
Science Club	186	5		(191)	0			0
2nd Region Ad	22		22		0			0
2nd Region Coaches Assoc.	393	371	764		0			0
Seniors 2015	2,696			(2,696)	0			0
Seniors 2016					0			0
Seniors 2017					0			0
Seniors 2018	6,465	1,860	2,838	2,696	5,083			8,083
Seniors 2019	4,691	13,576	10,575		7,691			7,691
Seniors 2020	1,370	1,856	479		2,747			2,747
Seniors 2021		3,038	2,578		462			462
Senior Trips		1,521	30		1,491			1,491
Soccer Girls	2,323	2,599	2,401		2,521			2,521
Soccer Boys	228	3,450	2,130		1,547			1,547
Social Studies	1,828	5,652	7,540		149			149
Sports Marketing			480	(1,216)	20			20
Spanish Club	564	270	370		464			464
SSF	819	660	459		1,020			1,020
Student Emergency Fund	414				414			414
Student Y	295			(295)	0			0
Spanish Text Book					0			0
Student Textbook	2,036	46,389	3,843	(40,050)	4,532			4,532
Student Textbooks Science					0			0
Student Government	13	1,690	585		1,118			1,118
Summer School	4,824	1,520	356		5,987			5,987
Swimming Scholarship	954	1,000	345		1,609			1,609
T.A.P.	59			(59)	0			0
Tennis		920			922			922
Textbooks DE store	1,880	120	76	364	2,388			2,388
Trojans Athletic	6,844		5,527		464			464
Triple M	798	325	160		1,118			1,118
Volleyball	22	7,852	7,969	105	963			963
Young Educators	20			(20)	9			9
Youth Service Center	7,939	3,095	5,538	(282)	0			0
TOTAL	181,107	617,964	628,274	\$0	\$170,797	\$110	\$0	\$170,907

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
PASSED THRU STATE DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	7760005-15 7760005-16	\$ 153,383 469,530 <u>622,913</u>
NATIONAL SCHOOL LUNCH PROGRAM CASH ASSISTANCE	10 555	7750002-15 7750002-16	439,868 1,517,422
NONCASH ASSISTANCE - COMMODITIES (Note C)		Fund 51	236,229 <u>2,193,519</u>
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10 559	7690024-15 7740023-15	552 5,282 <u>5,834</u>
TOTAL CHILD NUTRITION CLUSTER			<u>2,822,266</u>
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION			<u>4,399</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,826,665</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
TITLE I CLUSTER:			
GRANTS TO LOCAL EDUCATION AGENCIES	84.010	3100002-14 3100002-15 3100202-14 3100202-15	381,484 1,285,194 126,429 8,216 <u>1,801,323</u>
TOTAL TITLE I CLUSTER			<u>1,801,323</u>
TITLE I SCHOOL IMPROVEMENT	84.377	3100302-13	<u>155,349</u>
TITLE I PART D PREVENTION & INTERVENTION FOR CHILDREN & YOUTH WHO ARE NEGLECTED, DELINQUENT OR AT RISK	84.013	PROJ 3143C	<u>2,300</u>
MIGRANT EDUCATION-STATE GRANT PROGRAM	84.011A	PROJ 311A	<u>1,278</u>
SPECIAL EDUCATION CLUSTER: GRANTS TO STATES (IDEA, PART B)	84 027	3810002-13 3810002-14	105,700 1,401,272 <u>1,506,972</u>
PRESCHOOL GRANTS (IDEA PRESCHOOL)	84 173	3800002-13 3800002-14	10,907 89,365 <u>100,272</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>1,607,244</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84 367	3230002-14 3230002-15 401AE	57,391 353,053 61,589 <u>472,033</u>

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U. S. DEPARTMENT OF EDUCATION, CONTINUED</u>			
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84 048	3710002-14 3710002-15 3710006-14 3710006-15	2,342 73,251 26,506 170 <u>102,269</u>
TITLE VI RURAL AND LOW INCOME	84.358	3140002-14 3140002-15	26,891 48,520 <u>75,411</u>
TITLE III, LEP	84 365A	PROJ 345A PROJ 345B	5,091 2,423 <u>7,514</u>
RACE TO THE TOP	84 413	3960002-11	1,574
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,226,295</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
MNHHS ROTC HCCHS ROTC	1010-15	PROJ 504A PROJ 6044	86,854 47,537 <u>134,391</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>134,391</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,187,351</u>

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hopkins County School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hopkins County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hopkins County School District.

Note B: Summary of Significant Accounting Policies:

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Hopkins County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C: Commodities:

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

Note D: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, Medicaid reimbursements (\$129,600) are not considered expenditures of federal awards for the purposes of this schedule.

**HOPKINS COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2016**

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Shannon Embry Chairman	Madisonville, Kentucky	December 31, 2016
Steve Faulk Vice-Chairman	Madisonville, Kentucky	December 31, 2018
Suzanne Duncan	Nortonville, Kentucky	December 31, 2016
Randy Franklin	Madisonville, Kentucky	December 31, 2016
Michael Morgan	Nebo, Kentucky	December 31, 2018

Administrative Personnel

Deanna Ashby - Superintendent
Tommy Burrough – Assistant Superintendent of Operations
Charles Gant – Assistant Superintendent of Student Services
April Devine – Director of Assessment
Karen Mackey - Director of Technology
Eydie L. Tate, CPA – Director of Finance & Business
Michael Dodridge – Director of Food Services
Laura James – Director of Pupil Personnel
Martin Cline – Director of Secondary
Jennifer Luttrell – Director of P-5 & Early Childhood
Tonia Griffey – Director of Special Education
Marci Cox – Director of Pupil Transportation

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

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, 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 State Committee for School District Audits' Fiscal Year 2015-2016 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hopkins County Board of Education's basic financial statements and have issued our report thereon dated November 10, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2016-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the State Committee for School District Audits' Fiscal Year 2015-2016 Financial Audit Contract.

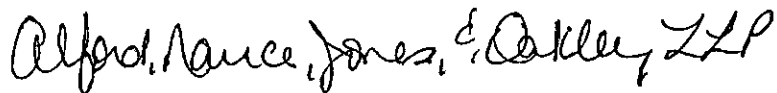
We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Hopkins County School District in a separate letter dated November 10, 2016.

Hopkins County School District's Response to Findings

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

Purpose of this Report

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



Alford, Nance, Jones, & Oakley LLP
November 10, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hopkins County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hopkins County School District's major federal programs for the year ended June 30, 2016. Hopkins County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hopkins County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code Of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Hopkins County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hopkins County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016

Report on Internal Control Over Compliance

Management of Hopkins County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hopkins County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 the Uniform Guidance, 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 Hopkins County School District's internal control over compliance.

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

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

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


Alford, Nance, Jones, & Oakley LLP
November 10, 2016

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2016

B. Findings-Financial Statements Audit

Control Deficiency

2016-001 Significant Deficiency – Purchasing

Condition: There were several instances where purchase orders were not utilized and prepared properly, including credit card purchases made at the central office.

Criteria: Effective internal controls over purchasing are necessary to ensure that purchase orders are properly prepared and authorized.

Cause: Although there is a purchasing policy, it is not being complied with which results in purchase orders not being prepared properly

Effect: There were several purchase orders that were prepared and dated subsequent to the vendor's invoice, standard invoices used instead of purchase orders, documents were not properly approved, and supporting documentation not properly prepared and attached.

Recommendation: We recommend that purchase orders be utilized and properly completed and supporting documentation attached. We further recommend a thorough review of the District's purchasing policy.

Management's Response: The District will review its purchasing policy and make the necessary adjustments. Finance will make the responsible employees aware of the policies and procedures required for purchasing at the District level.

C. Findings and Questioned Costs - Major Federal Award Program Audit

None reported

D. Schedule of Prior Audit Findings (Relative to Federal Awards)

None reported

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Control Deficiency

FINDING 2015-001 Significant Deficiency – Purchasing

Condition: There were several instances where purchase orders were not utilized and prepared properly, including credit card purchases made at the central office.

Criteria: Effective internal controls over purchasing are necessary to ensure that purchase orders are properly prepared and authorized.

Cause: Although there is a purchasing policy, it is not being complied with which results in purchase orders not being prepared properly.

Effect: There were several purchase orders that were prepared and dated subsequent to the vendor's invoice, standard invoices used instead of purchase orders, documents were not properly approved, and supporting documentation not properly prepared and attached.

Recommendation: We recommend that purchase orders be utilized and properly completed and supporting documentation attached. We further recommend a thorough review of the District's purchasing policy.

Management's Response: The District will review its purchasing policy and make the necessary adjustments. Finance will make the responsible employees aware of the policies and procedures required for purchasing at the District level.

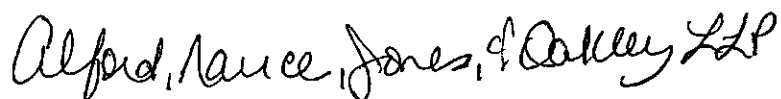
Current Year Status: See current year finding 2016-001 Significant Deficiency- Purchasing

Kentucky State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky 42431

In planning and performing our audit of the financial statements of the Hopkins County School District for the year ended June 30, 2016 we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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 suggestions regarding those matters. A separate report dated November 10, 2016, contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls structure. This letter does not affect our report dated November 10, 2016 on the financial statements of the Hopkins County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions 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.



Alford, Nance, Jones, & Oakley LLP
November 10, 2016

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Red Book" and KDOE guidelines.

Cause and Effect: Improper use primarily involved the following. (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with red book. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at some of the schools (MNHHS, HCCHS, BSMS, WHS, WBES, HES)

Recommendation: We recommend that purchase orders be utilized and properly completed.

Response. The District will provide mandatory annual Redbook training to the school bookkeepers and principals. We will stress the importance of proper use and completion of purchase orders along with following accounting procedures for school activity funds.

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDOE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Multiple Receipts, (2) Fundraising, (3) Inventory Control, (4) Ticket Sales, and (5) Donations. It also requires additional procedures and controls.

Cause and Effect:

<u>FORMS</u>	
Multiple Receipts	-Some either not used or used incorrectly (forms not dated) (WHS)
Fundraising	- Some either not used or used incorrectly fundraising worksheet and approval form. (BSMS, JMMS, MNHHS, HCCTC, EES, JSES, PES)
Inventory Control	- Some either not used or used incorrectly (JMMS, SHMS, BSMS, MNHHS, HCCHS)
Ticket Sales	- Some either not used or used incorrectly (HCCHS, MNHHS)
Donation Forms	- Some either not used or used incorrectly. (EES)

PROCEDURES

Activity fund ending the year in a deficit. (BSMS negative balance at year end- teacher vending & school climate account, HCCHS negative balance due to A/P- Dance Team)
Instances of checks noted containing only one signature. (MNHHS, HCCTC)
Bank statements not signed by principal. (WHS-October)
Deposit tickets were not initialed (WHS)
Inappropriate expenditures from Activity Funds (MNHHS, HCCHS, EES, HES, JSES, PES, WBES)
Store account cards held for unreasonably long periods of time. (BSMS, HCCHS, JMMS)

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these forms and procedures.

Response: The District will provide mandatory annual Redbook training to the school bookkeepers and principals. We will train the responsible employees to comply with Redbook requirements on the proper use of procedures and forms.

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students. (JMMS, WHS, HCCTC)

Criteria: The "Redbook" and KDOE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Response: The District will continue to provide mandatory Redbook training each year to school bookkeepers and principals. Administration will make staff aware of the requirements to complete multiple receipts forms properly and turn cash received in daily.

Booster Clubs/PTAs

Finding: We noted instances of noncompliance with Booster Clubs/PTAs reports. (JMMS, MNHHS, SHMS)

Criteria: The KDOE "Red Book" requires Booster Clubs/PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fund raisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs.

Response: The schools will be again directed to comply with the "Red Book" as it relates to obtaining required information from booster clubs.

Construction Projects Accounting

Finding: We noted projects that had been completed but for which BG-4 and BG-5 forms had not been submitted (MNHHS Baseball Building). We also noted instances where project costs exceeded or were less than projected costs on initial BG-1 forms but no revised BG-1 form had been submitted (MNHHS Baseball Building). Several invoices relating to BG projects were paid and not board approved. (HCCTCII, Railroad Street Property)

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Construction Projects Accounting, continued

Criteria: Completed projects require the submission of a BG-4 and BG-5 to the State. BG-1 forms require revision if project costs change. It is policy that all invoices and payments relating to BG construction projects be board approved.

Cause and Effect: Lack of internal controls.

Recommendation: We recommend form BG-4 and BG-5 be prepared and submitted to the State upon project completion. We further recommend that construction projects be closely monitored to ensure all invoices are board approved and BG-1 forms be revised as needed when project costs change. There was a general lack of organization and documentation to the construction projects files which needs to be addressed.

Response: KDE has advised the local Maintenance Department in resolving the BG deficiencies. Special notice regarding these deficiencies can be attributed to both BG's mention were donated projects with expenses for materials purchased outside of the Board's local Maintenance Department. For future projects with these specialized purchases, the district will require reporting from donating parties monthly. Controls will be set prior to original BG-1 approval with cooperation and guidance from KDE.

Fixed Assets

Finding: We noted instances where the fixed assets "Property Procedure Policy" were not followed. There were instances of assets not being coded to fixed assets before the fiscal year was closed

Criteria: The fixed asset policy has been adopted to provide for the accurate, timely and consistent accounting and safeguarding of fixed assets. The policy and controls include guidelines and procedures for centralized recording of additions and deletions to the District's fixed assets.

Cause and Effect: Fixed assets "Property Procedures Policy" must be followed.

Recommendation: We recommend strict adherence to the District's "Property Procedures." Particular attention needs to be given to 1) proper and timely reconciliation of recorded amounts to the physical assets, 2) the fixed asset module must be reconciled to the general ledger (Funds 8 and 81). There must be communication between the Director of Finance and the fixed asset clerk to ensure that this reconciliation process is completed in a timely manner.

Response: The District will stress the importance of reconciling fixed assets and the general ledger properly and timely.

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status)

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Red Book" and KDOE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice, (2) purchase orders were not utilized in accordance with red book, and (3) documents were not properly approved or attached to the purchase order. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at some of the schools and the central office. (MNHHS, BSMS, SHMS, ADT, GES, HES, JSES, PES, Central Office transportation and maintenance)

Recommendation: We recommend that purchase orders be utilized and properly completed.

Response: The District will provide mandatory annual Redbook training to the school bookkeepers and principals. We will stress the importance of proper use and completion of purchase orders along with following accounting procedures for school activity funds.

FYE 6/30/16: See current year comment "Purchasing (Activity Funds)"

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDOE "Red Book" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Multiple Receipts, (2) Fundraising, (3) Inventory Control, and (4) Ticket Sales. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Multiple Receipts	- Some either not used or used incorrectly (signed by teachers). (MNHHS, HCCHS)
Fundraising	- Some either not used or used incorrectly fundraising worksheet and approval form. (BSMS, MNHHS, HCCHS, WHS)
Inventory Control	- Some either not used or used incorrectly. (JSES, SHMS, MNHHS, HCCHS)
Ticket Sales	- Some either not used or used incorrectly. (MNHHS)

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

PROCEDURES

Activity fund ending the year in a deficit. (PES negative balance at year end- teacher vending account)
More than one instance noted where checks contained only one signature. (MNHHS)
Bank statements not signed by director. (Central office maintenance and transportation)
Deposit tickets were not initialed (Central office maintenance and transportation, ADT, SHMS, MNHHS, HCCHS, JSES)

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these forms and procedures

Response: The District will provide mandatory annual Redbook training to the school bookkeepers and principals. We will train the responsible employees to comply with Redbook requirements on the proper use of procedures and forms.

FYE 6/30/16: See current year comment "Required Forms/Procedures".

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students. (EES, GES, JSES, MNHHS, HCCHS)

Criteria: The "Redbook" and KDOE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed

Response: The District will continue to provide mandatory Redbook training each year to school bookkeepers and principals. Administration will make staff aware of the requirements to complete multiple receipts forms properly and turn cash received in daily.

FYE 6/30/16: See current year comment "Receipts".

Booster Clubs

Finding: We noted instances of noncompliance with Booster Club reports. (MNHHS, JSES, SHMS)

Criteria: The KDOE "Red Book" requires Booster Clubs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fund raisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Booster Clubs, continued

Response: The schools will be again directed to comply with the "Red Book" as it relates to obtaining required information from booster clubs.

FYE 6/30/2016: See current year comment "Booster Clubs/PTAs".

Central Office Activity Funds

Finding: The central office activity funds (maintenance and transportation vending) had instances of noncompliance with required KDOE "Redbook" guidelines.

Criteria: The "Red Book"

Cause and Effect: Lack of oversight and effort in requiring compliance.

Recommendation: We recommend these accounts, due to lack of compliance, be closed.

Response: We will direct the custodians of each account to close the account or maintain according to Redbook guidelines.

FYE 6/30/2016: All Central Office Activity Funds were closed

Construction Projects Accounting

Finding: We noted projects that had been completed but for which BG-4 and BG-5 forms had not been submitted (MNHHS Softball Restroom). We also noted instances where project costs exceeded or were less than projected costs on initial BG-1 forms but no revised BG-1 form had been submitted (MNHHS Baseball Building and Softball Restroom).

Criteria: Completed projects require the submission of a BG-4 and BG-5 to the State. BG-1 forms require revision if project costs change.

Cause and Effect: Lack of internal controls.

Recommendation: We recommend form BG-4 and BG-5 be prepared and submitted to the State upon project completion. We further recommend that construction projects be closely monitored and BG-1 forms be revised as needed when project costs change. There was a general lack of organization and documentation to the construction projects files which needs to be addressed.

Response: KDE has advised the local Maintenance Department in resolving the BG deficiencies. Special notice regarding these deficiencies can be attributed to both BG's mention were donated projects with expenses for materials purchased outside of the Board's local Maintenance Department. For future projects with these specialized purchases, the district will require reporting from donating parties monthly. Controls will be set prior to original BG-1 approval with cooperation and guidance from KDE.

FYE 6/30/16: See current year comments "Construction Projects Accounting".

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Fixed Assets

Finding: We noted instances where the fixed assets "Property Procedure Policy" were not followed. There were instances of assets not being coded to fixed assets before the fiscal year was closed.

Criteria: The fixed asset policy has been adopted to provide for the accurate, timely and consistent accounting and safeguarding of fixed assets. The policy and controls include guidelines and procedures for centralized recording of additions and deletions to the District's fixed assets

Cause and Effect: Fixed assets "Property Procedures Policy" must be followed.

Recommendation: We recommend strict adherence to the District's "Property Procedures." Particular attention needs to be given to 1) proper and timely reconciliation of recorded amounts to the physical assets, 2) the fixed asset module must be reconciled to the general ledger (Funds 8 and 81). There must be communication between the Director of Finance and the fixed asset clerk to ensure that this reconciliation process is completed in a timely manner.

Response: The District will stress the importance of reconciling fixed assets and the general ledger properly and timely.

FYE 6/30/16: See current year comments "Fixed Assets."

Insurance Coverage- Vehicles

Finding: We noted five vehicles included on the insurance coverage listing which were not recorded in the fixed assets module.

Criteria: The District's fixed asset policy.

Cause and Effect: This indicates coverage on vehicles no longer owned by the District.

Recommendation: We recommend that these coverage discrepancies be investigated and resolved appropriately. We further recommend implementation of an internal control procedure to provide for future reconciliations of the insurance coverage.

Response. We have initiated measures of periodic checks between the transportation department and the insurance agent to ensure that assets are adequately covered. Part of this measure also includes that only the Director of Transportation has the authority to add or delete vehicles to or from the insured list.

FYE 6/30/16: All vehicles that are currently in use have insurance coverage.