

**CALDWELL COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**CALDWELL COUNTY SCHOOL DISTRICT**  
JUNE 30, 2014

**BOARD OF EDUCATION**

Charles Watson, Chairman  
Mike Traylor, Vice-Chairman  
Kim Jackson, Member  
Tim Kennaday, Member  
William Clift, II, Member

**ADMINISTRATIVE STAFF**

Carrell Boyd, Superintendent  
Tammy Easley, Finance Officer

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



## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Caldwell County School District  
Princeton, 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 Caldwell County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Caldwell County School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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 and budgetary comparison information on pages 4–12 and 46–48 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 Caldwell County School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

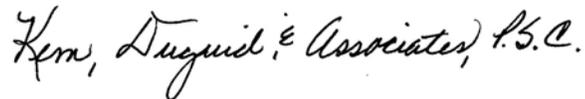
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of Caldwell 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 Caldwell County School District's internal control over financial reporting and compliance.

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

Handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C."

Certified Public Accountants  
Hopkinsville, Kentucky

October 30, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

As management of the Caldwell County School District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$5,583,293, as compared with the beginning cash balance of \$5,015,649. The ending cash balance consisted of General Fund of \$4,130,399, Special Revenue Fund of \$45,447, non-major governmental funds of \$776,956, Enterprise Funds of \$268,337, School Activity Funds of \$313,254 and Agency Funds of \$48,900.
- Total government-wide net position decreased by \$74,457 (includes \$187,165 for GASB 65 adjustment) for the fiscal year ended June 30, 2014. Total long-term obligations had a net decrease of \$462,987, while the unrestricted net position increased \$451,980 and restricted assets increased \$10,461.
- The General Fund had \$14,823,577 in revenues, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased in comparison to prior year revenues of \$14,007,607. Excluding interfund transfers, there were \$14,244,738 in General Fund expenditures. This compares to \$14,015,059 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$2,934,898 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance and technology. A like amount of expenses is also recorded in the financial statements.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

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

The District has three kinds of funds:

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

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

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

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 46.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$16,152,579 as of June 30, 2014.

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

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

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2014 and 2013:

**Net Position for the Fiscal Years Ended June 30, 2014 and 2013**

**Change in net position.** The District’s governmental activities net position decreased by \$74,457 net of the effect of GASB 65 of \$187,165.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets and other assets	\$ 5,204,349	\$ 4,720,314	\$ 277,080	\$ 292,031	\$ 5,481,429	\$ 5,012,345
Capital assets	20,601,002	21,667,577	397,476	406,627	20,998,478	22,074,204
<b>Total assets</b>	<b>25,805,351</b>	<b>26,387,891</b>	<b>674,556</b>	<b>698,658</b>	<b>26,479,907</b>	<b>27,086,549</b>
Current liabilities	906,200	957,618	5,355	6,372	911,555	963,990
Noncurrent obligations	9,399,759	9,856,424	16,014	22,336	9,415,773	9,878,760
<b>Total liabilities</b>	<b>10,305,959</b>	<b>10,814,042</b>	<b>21,369</b>	<b>28,708</b>	<b>10,327,328</b>	<b>10,842,750</b>
Net position						
Investment in capital assets, net of related debt	11,539,970	12,084,480	397,476	406,627	11,937,446	12,491,107
Restricted	676,131	665,670	-	-	676,131	665,670
Unrestricted	3,283,291	2,823,699	255,711	263,323	3,539,002	3,087,022
<b>Total net position</b>	<b>\$ 15,499,392</b>	<b>\$ 15,573,849</b>	<b>\$ 653,187</b>	<b>\$ 669,950</b>	<b>\$ 16,152,579</b>	<b>\$ 16,243,799</b>

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

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

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of schedule of changes in the District's net position for the years ended June 30, 2014 and 2013:

**Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		District Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Operating grants and contributions	\$ 2,012,509	\$ 1,852,422	\$ 779,847	\$ 875,482	\$ 2,792,356	\$ 2,727,904
Charges for services	-	-	277,044	317,228	277,044	317,228
General revenues:						
Property taxes	1,831,326	1,687,964	-	-	1,831,326	1,687,964
Other taxes	1,888,072	1,521,279	-	-	1,888,072	1,521,279
Investment earnings	189,588	108,210	636	586	190,224	108,796
State aid	11,804,848	11,539,766	98,715	-	11,903,563	11,539,766
Other local revenues	36,111	35,985	-	-	36,111	35,985
Other	(280)	(2,579)	(49)	-	(329)	(2,579)
<b>Total revenues</b>	17,762,174	16,743,047	1,156,193	1,193,296	18,918,367	17,936,343
<b>Expenses:</b>						
Instruction	10,301,379	10,273,014	-	-	10,301,379	10,273,014
Support services:						
Student	730,729	690,708	-	-	730,729	690,708
Instructional support	355,443	434,023	-	-	355,443	434,023
District administration	733,169	603,576	-	-	733,169	603,576
School administration	996,614	977,956	-	-	996,614	977,956
Business support	596,850	569,659	-	-	596,850	569,659
Plant operations	2,112,072	1,988,827	-	-	2,112,072	1,988,827
Student transportation	1,282,281	1,355,863	-	-	1,282,281	1,355,863
Community services	172,859	176,579	-	-	172,859	176,579
Interest on						
long-term debt	342,452	348,571	-	-	342,452	348,571
Amortization	22,065	40,779	-	-	22,065	40,779
Food service	-	-	1,127,742	1,117,955	1,127,742	1,117,955
Other enterprise	-	-	45,214	45,591	45,214	45,591
Transfers	3,553	3,614	-	-	3,553	3,614
<b>Total expenses</b>	17,649,466	17,463,169	1,172,956	1,163,546	18,822,422	18,626,715
<b>Increase (Decrease) in net position</b>	\$ 112,708	\$ (720,122)	\$ (16,763)	\$ 29,750	\$ 95,945	\$ (690,372)

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

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

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$4,928,988 an increase of \$679,579 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2014 and 2013.

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

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

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

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of fund balances for the fiscal years ended June 30, 2014 and 2013:

**Governmental Funds Balances as of June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
<b>Governmental Funds</b>			
General Fund	\$ 4,152,032	\$ 3,605,561	\$ 546,471
Special Revenue Fund	-	-	-
Building Fund	-	-	-
Capital Outlay	121,379	-	121,379
Construction Fund	231,762	230,600	1,162
Debt Service Fund	423,815	413,248	10,567
	<u>4,928,988</u>	<u>4,249,409</u>	<u>679,579</u>
<b>Total governmental funds</b>			
<b>Proprietary Funds</b>			
Food Service Fund	\$ 637,014	\$ 642,274	\$ (5,260)
Other Enterprise	16,173	27,676	(11,503)
	<u>653,187</u>	<u>669,950</u>	<u>(16,763)</u>
<b>Fiduciary Funds</b>			
School Activity Funds	\$ 313,254	\$ 300,301	\$ 12,953
Agency Funds	52,531	50,237	2,294
	<u>365,785</u>	<u>350,538</u>	<u>15,247</u>

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,291,344, while total fund balance reached \$4,152,032. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 23.11% of total General Fund expenditures, while total fund balance represents 29.15% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$546,471. Revenues and transfers totaling \$14,823,741 increased by \$573,964, while expenditures and transfers totaling \$14,277,270 increased by \$230,047.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of (\$1,350,914) or 7.9%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2014, net of interfund transfers and beginning balances were \$14,823,577; compared to the total budgeted revenues of \$13,994,849.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2014, net of interfund transfers, were \$14,244,738; compared to the total budgeted expenditures of \$16,982,700.
- The fund balance at the end of the 2014 fiscal year for all Governmental Funds was \$4,928,988 compared to \$4,249,409 in the prior year.

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

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

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2014, the District had \$20,998,478 invested in capital assets net of depreciation: historical costs totaled \$37,532,034 with accumulated depreciation totaling \$16,533,557. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Expenditures for acquisitions and improvements during the year totaled \$254,264. Depreciation charged to expense during the year totaled \$1,307,433, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2014 and 2013.

**Net Capital Assets for the Fiscal Years Ended June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 261,197	\$ 261,197	\$ -	\$ -	\$ 261,197	\$ 261,197
Land improvements	218,653	258,127	-	-	218,653	258,127
Construction in progress	-	62,819	-	-	-	62,819
Building and improvements	18,681,979	19,435,962	336,397	336,397	19,018,376	19,772,359
Technology equipment	225,098	365,783	1,468	2,834	226,566	368,617
General equipment	218,174	277,093	-	67,395	218,174	344,488
Vehicles	984,869	973,499	-	-	984,869	973,499
Property under capital lease	11,032	33,097	-	-	11,032	33,097
Food service equipment	-	-	59,611	-	59,611	-
<b>Total</b>	<b><u>\$ 20,601,002</u></b>	<b><u>\$ 21,667,577</u></b>	<b><u>\$ 397,476</u></b>	<b><u>\$ 406,626</u></b>	<b><u>\$ 20,998,478</u></b>	<b><u>\$ 22,074,203</u></b>

**Long-Term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2014 were \$9,050,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$800,623 of the bonds leaving the District to pay \$8,249,377. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, a copier lease, will decrease as the lease is paid down.

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

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

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

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 365-8000 or by Post Office Box 229 Princeton, Kentucky 42445.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,852,802	\$ 268,337	\$ 5,121,139
Accounts receivable:			
Other	30,219	470	30,689
Intergovernmental - indirect federal	221,328	-	221,328
Inventories	-	8,273	8,273
Restricted cash and cash equivalents	100,000	-	100,000
Capital assets:			
Non-depreciable	261,197	-	261,197
Depreciable (net)	20,339,805	397,476	20,737,281
 Total assets	 <u>25,805,351</u>	 <u>674,556</u>	 <u>26,479,907</u>
<b>LIABILITIES</b>			
Accounts payable	10,845	510	11,355
Unearned revenue	264,516	-	264,516
Accrued interest	79,446	-	79,446
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	515,000	-	515,000
Capital lease obligations	11,032	-	11,032
Accrued sick leave	25,361	4,845	30,206
Portion due or payable after one year:			
Bonds payable	8,535,000	-	8,535,000
Capital lease obligations	-	-	-
Accrued sick leave	864,759	16,014	880,773
 Total liabilities	 <u>10,305,959</u>	 <u>21,369</u>	 <u>10,327,328</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	11,539,970	397,476	11,937,446
Restricted for			
Accumulated sick leave	100,000	-	100,000
Future construction	231,762	-	231,762
Debt service	344,369	-	344,369
Unrestricted	3,283,291	255,711	3,539,002
 Total net position	 <u>\$ 15,499,392</u>	 <u>\$ 653,187</u>	 <u>\$ 16,152,579</u>

See accompanying notes to financial statements

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

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
<b>Governmental Activities:</b>					
<b>Current:</b>					
Instruction	\$ 10,301,379	\$ -	\$ 2,012,509	\$ -	\$ (8,288,870)
Support services:					
Student	730,729	-	-	-	(730,729)
Instructional staff	355,443	-	-	-	(355,443)
District administration	733,169	-	-	-	(733,169)
School administration	996,614	-	-	-	(996,614)
Business	596,850	-	-	-	(596,850)
Plant operation and maintenance	2,112,072	-	-	-	(2,112,072)
Student transportation	1,282,281	-	-	-	(1,282,281)
Community service activities	172,859	-	-	-	(172,859)
Interest on long-term debt	342,452	-	-	-	(342,452)
Amortization - unallocated	22,065	-	-	-	(22,065)
<b>Total governmental activities</b>	<b>17,645,913</b>	<b>-</b>	<b>2,012,509</b>	<b>-</b>	<b>(15,633,404)</b>
<b>Business-Type Activities:</b>					
Food service	1,127,742	249,474	779,847	-	(98,421)
Other enterprise	45,214	27,570	-	-	(17,644)
<b>Total business-type activities</b>	<b>1,172,956</b>	<b>277,044</b>	<b>779,847</b>	<b>-</b>	<b>(116,065)</b>
<b>Total activities</b>	<b>\$ 18,818,869</b>	<b>\$ 277,044</b>	<b>2,792,356</b>	<b>-</b>	<b>(15,749,469)</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Changes in Net Position</b>					
Net revenues (expenses)			(15,633,404)	(116,065)	(15,749,469)
<b>General Revenues</b>					
Taxes:					
Property			1,831,326	-	1,831,326
Motor vehicle			465,474	-	465,474
Utilities			1,167,071	-	1,167,071
Other			255,527	-	255,527
Investment earnings			189,588	636	190,224
Other local revenue			36,111	-	36,111
State aid - formula grants			11,804,848	98,715	11,903,563
Gain (loss) on sale of fixed assets			(280)	(49)	(329)
Transfers			(3,553)	-	(3,553)
<b>Total general revenues</b>			<b>15,746,112</b>	<b>99,302</b>	<b>15,845,414</b>
<b>Change in net position</b>			<b>112,708</b>	<b>(16,763)</b>	<b>95,945</b>
<b>Net position, July 1, 2013</b>			<b>15,573,849</b>	<b>669,950</b>	<b>16,243,799</b>
<b>Effect of Adoption of GASB 65</b>			<b>(187,165)</b>	<b>-</b>	<b>(187,165)</b>
<b>Net position, July 1, 2013, restated</b>			<b>15,386,684</b>	<b>669,950</b>	<b>16,056,634</b>
<b>Net position, June 30, 2014</b>			<b>\$ 15,499,392</b>	<b>\$ 653,187</b>	<b>\$ 16,152,579</b>

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**CALDWELL COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,030,399	\$ 45,447	\$ 776,956	\$ 4,852,802
Accounts receivable:				
Other	30,219	-	-	30,219
Intergovernmental - indirect federal	-	221,328	-	221,328
Restricted cash and cash equivalents	100,000	-	-	100,000
	<u>\$ 4,160,618</u>	<u>\$ 266,775</u>	<u>\$ 776,956</u>	<u>\$ 5,204,349</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 8,586	\$ 2,259	\$ -	\$ 10,845
Unearned revenue	-	264,516	-	264,516
	<u>8,586</u>	<u>266,775</u>	<u>-</u>	<u>275,361</u>
Fund balances				
Spendable:				
Restricted	100,000	-	776,956	876,956
Committed	522,483	-	-	522,483
Assigned	238,205	-	-	238,205
Unassigned	3,291,344	-	-	3,291,344
	<u>4,152,032</u>	<u>-</u>	<u>776,956</u>	<u>4,928,988</u>
Total liabilities and fund balances	<u>\$ 4,160,618</u>	<u>\$ 266,775</u>	<u>\$ 776,956</u>	<u>\$ 5,204,349</u>

See accompanying notes to financial statements

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

Total fund balance per fund financial statements		\$ 4,928,988
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$36,585,924 and the accumulated depreciation is \$15,984,922.</p>		
	20,601,002	
<p>Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:</p>		
Bond obligations	(9,050,000)	
Capital lease	(11,032)	
Accrued interest on bonds	(79,446)	
Accrued sick leave payable	(890,120)	(10,030,598)
	(10,030,598)	
Net position for governmental activities		\$ 15,499,392

See accompanying notes to financial statements

**CALDWELL COUNTY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 1,541,860	\$ -	\$ 289,466	\$ 1,831,326
Motor vehicle	465,474	-	-	465,474
Utilities	1,167,071	-	-	1,167,071
Other	255,527	-	-	255,527
Earnings on investments	187,998	428	1,162	189,588
Other local revenues	84,447	-	-	84,447
Intergovernmental - state	11,121,200	694,065	683,648	12,498,913
Intergovernmental - federal	-	1,270,108	-	1,270,108
<b>Total revenues</b>	<b>14,823,577</b>	<b>1,964,601</b>	<b>974,276</b>	<b>17,762,454</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	8,045,701	1,685,971	-	9,731,672
Support services:				
Student	625,534	104,896	-	730,430
Instructional staff	347,117	8,326	-	355,443
District administration	739,466	-	-	739,466
School administration	996,614	-	-	996,614
Business	556,427	-	-	556,427
Plant operations and maintenance	1,641,415	40,746	-	1,682,161
Student transportation	1,273,246	-	-	1,273,246
Community service activities	19,218	153,641	-	172,859
Debt service	-	-	841,168	841,168
<b>Total expenditures</b>	<b>14,244,738</b>	<b>1,993,580</b>	<b>841,168</b>	<b>17,079,486</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>578,839</b>	<b>(28,979)</b>	<b>133,108</b>	<b>682,968</b>
<b>Other financing sources (uses)</b>				
Proceeds from disposal of fixed assets	164	-	-	164
Operating transfers in	-	28,979	738,759	767,738
Operating transfers out	(32,532)	-	(738,759)	(771,291)
Total other financing sources (uses)	(32,368)	28,979	-	(3,389)
<b>Net changes in fund balances</b>	<b>546,471</b>	<b>-</b>	<b>133,108</b>	<b>679,579</b>
<b>Fund balances, July 1, 2013</b>	<b>3,605,561</b>	<b>-</b>	<b>643,848</b>	<b>4,249,409</b>
<b>Fund balances, June 30, 2014</b>	<b>\$ 4,152,032</b>	<b>\$ -</b>	<b>\$ 776,956</b>	<b>\$ 4,928,988</b>

See accompanying notes to financial statements

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

Net change in fund balance - Total governmental funds \$ 679,579

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

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

Capital outlay	254,264	
Depreciation expense	<u>(1,298,330)</u>	
Net capital outlay		(1,044,066)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers) is to decrease net position (444)

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

Bond repayments	500,000	
Capital lease payments	<u>22,065</u>	
		522,065

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

These activities are:

Accumulated sick leave-noncurrent portion	(24,919)	
Amortization of capital lease	(22,065)	
Accrued interest on bonds	<u>2,558</u>	
Net decrease in expenditures		<u>(44,426)</u>

Change in net position of governmental activities \$ 112,708

See accompanying notes to financial statements

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

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

	School Food Service Fund	Other Enterprise Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 252,164	\$ 16,173	\$ 268,337
Accounts receivable	470	-	470
Inventory	8,273	-	8,273
Total current assets	260,907	16,173	277,080
Noncurrent assets			
Capital assets	937,110	-	937,110
Less: accumulated depreciation	(539,634)	-	(539,634)
Total noncurrent assets	397,476	-	397,476
Total assets	658,383	16,173	674,556
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	510	-	510
Accrued sick leave	4,845	-	4,845
Total current liabilities	5,355	-	5,355
Noncurrent liabilities			
Accrued sick leave	16,014	-	16,014
Total noncurrent liabilities	16,014	-	16,014
Total liabilities	21,369	-	21,369
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	397,476	-	397,476
Unrestricted	239,538	16,173	255,711
Total net position	\$ 637,014	\$ 16,173	\$ 653,187

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	School Food Service Fund	Other Enterprise Fund	Total Enterprise Fund
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 249,474	\$ -	\$ 249,474
Student fees	-	27,570	27,570
<b>Total operating revenues</b>	<u>249,474</u>	<u>27,570</u>	<u>277,044</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and benefits	499,927	43,053	542,980
Contract services	58,479	211	58,690
Materials and supplies	558,780	1,950	560,730
Depreciation	9,103	-	9,103
Other	1,453	-	1,453
<b>Total operating expenses</b>	<u>1,127,742</u>	<u>45,214</u>	<u>1,172,956</u>
<b>Operating income (loss)</b>	<u>(878,268)</u>	<u>(17,644)</u>	<u>(895,912)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	704,410	-	704,410
Donated commodities	75,437	-	75,437
State grants	11,551	-	11,551
State on-behalf payments	81,023	6,141	87,164
Loss on disposal of fixed assets	(49)	-	(49)
Interest income	636	-	636
<b>Total non-operating revenues (expenses)</b>	<u>873,008</u>	<u>6,141</u>	<u>879,149</u>
<b>Change in net position</b>	(5,260)	(11,503)	(16,763)
<b>Net position, July 1, 2013</b>	<u>642,274</u>	<u>27,676</u>	<u>669,950</u>
<b>Net position, June 30, 2014</b>	<u>\$ 637,014</u>	<u>\$ 16,173</u>	<u>\$ 653,187</u>

See accompanying notes to financial statements

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

	School Food Service Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 249,004	\$ -	\$ 249,004
Student fees	-	28,931	28,931
Cash paid to/for:			
Employees	(426,753)	(36,912)	(463,665)
Supplies	(474,926)	(1,950)	(476,876)
Contract services	(59,932)	(211)	(60,143)
	<b>(712,607)</b>	<b>(10,142)</b>	<b>(722,749)</b>
<b>Net cash provided (used) by operating activities</b>			
<b>Cash flows from noncapital financing activities</b>			
Transfers in (out)	-	-	-
Government grants	715,963	-	715,963
	<b>715,963</b>	<b>-</b>	<b>715,963</b>
<b>Net cash provided (used) by noncapital financing activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	-	-	-
Receipt of interest income	636	-	636
	<b>636</b>	<b>-</b>	<b>636</b>
<b>Net cash provided (used) by investing activities</b>			
Net increase (decrease) in cash and cash equivalents	3,992	(10,142)	(6,150)
Balances, beginning of year	248,172	26,315	274,487
	<b>\$ 252,164</b>	<b>\$ 16,173</b>	<b>\$ 268,337</b>
Balances, end of year			

See accompanying notes to financial statements

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

	School Food Service Fund	Other Enterprise Fund	Total Enterprise Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (878,268)	(17,644)	\$ (895,912)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Depreciation	9,103	-	9,103
Donated commodities	75,437	-	75,437
State on-behalf payments	81,023	6,141	87,164
Change in assets and liabilities:			
Accounts receivable	(470)	1,361	891
Inventory	7,907	-	7,907
Accounts payable	510	-	510
Accrued sick leave	(7,849)	-	(7,849)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (712,607)</b>	<b>\$ (10,142)</b>	<b>\$ (722,749)</b>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from Federal government	\$ 75,437	\$ -	\$ 75,437
On-behalf payments	81,023	6,141	87,164

See accompanying notes to financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 362,154
Accounts receivable	<u>3,631</u>
Total assets	<u>365,785</u>
 <b>LIABILITIES</b>	
Due to student groups	313,254
Due to grantor agencies	<u>52,531</u>
Total liabilities	<u>365,785</u>
 <b>NET POSITION</b>	 <u><u>\$ -</u></u>

See accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Caldwell 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 District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**Caldwell County School District Finance Corporation** – In 1991, the Caldwell County, Kentucky Board of Education resolved to authorize the establishment of the Caldwell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Caldwell County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

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

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

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

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

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

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

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

**Governmental Funds**

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

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

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

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

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

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

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

**Proprietary Funds**

Proprietary funds are used to account for ongoing activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The fund's principal operating revenues are food service charges and student fees. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

The *School Age Child Care and Test of Adult Basic Education Funds* are used to account for specific educational needs and purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

Agency funds consist of activity funds, which are established at each school to account for the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The *Student Activity Funds* account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions

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

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2014 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. 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 fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

Property Taxes

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

The property tax rates for the year ended June 30, 2014, to finance the General Fund operations were \$.376 per \$100 valuation for real property, \$.376 per \$100 valuation for business tangible personal property, and \$.538 per \$100 valuation for motor vehicles.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Estimates

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

Interfund Activity

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2014. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

Prepaid Expenditures

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Nonmonetary assistance is reported in the proprietary funds at the market value of the commodities received/used.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Restricted Assets

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

Interfund Balances

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of real property for which there is no threshold. 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 except land 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 for Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	5-10 years

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

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. The District does not have any of this type of item.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

Net Position

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

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

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

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

Subsequent Events

Subsequent events have been evaluated through October 30, 2014, which is the date the financial statements were available to be issued.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

New GASB Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of GASB 67 does not have any impact on the District's financial statements as the District only participates in a multiple-employer plan (and is not the trustee).

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

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

At fiscal year-end, the carrying amount of the District's deposits was \$5,583,293 and the bank balance was \$6,425,073. Of the District's bank balance, \$5,175,073 was collateralized as discussed above because it was uninsured, while \$1,250,000 was covered by Federal Deposit Insurance.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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

Reconciliation to Government-wide Statement of Net Position:

Unrestricted cash, including time deposits	\$ 5,121,139
Restricted cash, including time deposits	100,000
Fiduciary fund cash (not included in government-wide statement)	<u>362,154</u>
	<u><u>\$ 5,583,293</u></u>

These amounts are reported in the financial statements, as follows:

Governmental activities	
Cash and cash equivalents	\$ 4,852,802
Restricted cash and cash equivalents	100,000
Business-type activities	268,337
Fiduciary Funds	<u>362,154</u>
	<u><u>\$ 5,583,293</u></u>

The District has a cash restriction of \$100,000 for the purpose of paying compensation for unused sick leave at the time of employee retirement in accordance with KRS 157.420(3).

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2014, was as follows:

<b>Governmental Activities</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
Capital assets not depreciated:				
Land	\$ 261,197	\$ -	\$ -	\$ 261,197
Construction in progress	62,819	-	62,819	-
Total nondepreciable historical cost	<u>324,016</u>	<u>-</u>	<u>62,819</u>	<u>261,197</u>
Capital assets depreciated:				
Land improvements	841,567	-	-	841,567
Buildings and improvements	30,374,867	111,803	-	30,486,670
Technology equipment	1,200,153	-	125,020	1,075,133
Vehicles	2,977,931	205,280	283,764	2,899,447
General equipment	911,585	-	-	911,585
Property under capital lease	110,325	-	-	110,325
Total depreciable historical cost	<u>36,416,428</u>	<u>317,083</u>	<u>408,784</u>	<u>36,324,727</u>
Less: accumulated depreciation				
Land improvements	583,440	39,474	-	622,914
Building and improvements	10,938,905	865,786	-	11,804,691
Technology equipment	834,370	140,241	124,576	850,035
Vehicles	2,004,432	193,910	283,764	1,914,578
General equipment	634,492	58,919	-	693,411
Property under capital lease	77,228	22,065	-	99,293
Total accumulated depreciation	<u>15,072,867</u>	<u>1,320,395</u>	<u>408,340</u>	<u>15,984,922</u>
Total depreciable historical cost - net	<u>21,343,561</u>	<u>(1,003,312)</u>	<u>444</u>	<u>20,339,805</u>
Governmental activities capital assets - net	<u>\$ 21,667,577</u>	<u>\$ (1,003,312)</u>	<u>\$ 63,263</u>	<u>\$ 20,601,002</u>

Amortization expense of \$22,065, related to a capital lease, was not allocated to governmental activities. It appears on the statement of activities as "unallocated".

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 – CAPITAL ASSETS, continued**

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

**Governmental Activities**

Instruction	\$ 564,218
Support services:	
Student	299
Instructional staff	-
District administration	180
School administration	-
Business	40,423
Plant operation and maintenance	478,895
Student transportation	214,315
Community service	-
	<u>                    </u>
	<u><u>\$ 1,298,330</u></u>

<b>Business-Type Activities</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
Capital assets depreciated:				
Buildings and improvements	\$ 468,202	\$ -	\$ -	\$ 468,202
Technology equipment	41,290	-	1,470	39,820
Vehicles	9,000	-	-	9,000
Food service equipment	429,088	-	-	429,088
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total depreciable historical cost	947,580	-	1,470	946,110
Less: accumulated depreciation				
Buildings and improvements	131,805	-	-	131,805
Technology equipment	38,457	1,318	1,423	38,352
Vehicles	9,000	-	-	9,000
Food service equipment	361,692	7,785	-	369,477
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depreciation	540,954	9,103	1,423	548,634
Business-type activities capital assets - net	<u><u>\$ 406,626</u></u>	<u><u>\$ (9,103)</u></u>	<u><u>\$ 47</u></u>	<u><u>\$ 397,476</u></u>

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS**

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 dates and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
Issue of 2002	\$ 2,320,000	2015	1.25% - 3.88%
Issue of 2005	1,390,000	2020	3.00% - 4.00%
Issue of 2011	7,500,000	2031	1.85% - 4.38%

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

In 1986, the District entered into “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

Changes in the bond issues during the year are summarized below:

	<u>Balance July 1, 2013</u>	<u>New Issues/ Adjustments</u>	<u>Debt Payments/ Adjustments</u>	<u>Balance June 30, 2014</u>
<u>Revenue Bonds</u>				
Series 2002	\$ 900,000	\$ -	\$ 445,000	\$ 455,000
Series 2005	1,220,000	-	20,000	1,200,000
Series 2011	<u>7,430,000</u>	<u>-</u>	<u>35,000</u>	<u>7,395,000</u>
 Total	 <u>\$ 9,550,000</u>	 <u>\$ -</u>	 <u>\$ 500,000</u>	 <u>\$ 9,050,000</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, continued**

The bonds may be called prior to maturity and redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014, for debt service (principal and interest) are as follows:

Year	Caldwell County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2015	\$ 438,786	\$ 295,534	\$ 76,214	\$ 27,088	\$ 837,622
2016	392,343	286,684	37,657	25,548	742,232
2017	406,461	274,966	38,539	24,670	744,636
2018	420,488	262,266	39,512	23,694	745,960
2019	432,034	248,464	62,966	22,620	766,084
2020-2024	2,242,378	1,024,634	217,622	87,030	3,571,664
2025-2029	2,680,101	598,240	224,899	50,034	3,553,274
2030-2031	1,236,786	81,018	103,214	6,756	1,427,774
	<u>\$ 8,249,377</u>	<u>\$ 3,071,806</u>	<u>\$ 800,623</u>	<u>\$ 267,440</u>	<u>\$ 12,389,246</u>

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases various copy machines pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2014 are, as follows:

Year Ending	Total payments
2015	<u>\$ 12,953</u>
Total minimum lease payments	\$ 12,953
Lease amount representing interest	<u>1,921</u>
Present value of net minimum lease payments	<u>\$ 11,032</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, continued**

Changes in the long-term liability accounts during the year are summarized below:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Due in One Year
Bonds	\$ 9,550,000	\$ -	\$ 500,000	\$ 9,050,000	\$ 515,000
Lease obligations	33,097		22,065	11,032	11,032
Accrued sick leave:				-	
Governmental activities	865,201	108,028	83,109	890,120	25,361
Business-type activities	28,708	3,586	11,435	20,859	4,845
	<u>\$ 10,477,006</u>	<u>\$ 111,614</u>	<u>\$ 616,609</u>	<u>\$ 9,972,011</u>	<u>\$ 556,238</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

**NOTE 5 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the long-term obligation will be approximately \$890,120 for governmental activities and \$20,859 for business-type activities.

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 – FUND BALANCE REPORTING**

Following is a summary of designations of fund balance at June 30, 2014:

	General Fund	Special Revenue	Other Governmental Funds	Total
Restricted:				
Sick leave	\$ 100,000	\$ -	\$ -	\$ 100,000
Future construction	-	-	231,762	231,762
Capital outlay	-	-		-
SFCC escrow	-	-	121,379	121,379
Debt service	-	-	423,815	423,815
				-
Committed:				
Sick leave	150,000	-	-	150,000
Future construction	300,000	-	-	300,000
Buses	11,758	-	-	11,758
SBDM	60,725	-	-	60,725
Assigned:				
Other	238,205			238,205
Unassigned	<u>3,291,344</u>	<u>-</u>	<u>-</u>	<u>3,291,344</u>
	<u>\$ 4,152,032</u>	<u>\$ -</u>	<u>\$ 776,956</u>	<u>\$ 4,928,988</u>

**NOTE 7 – TRANSFER OF FUNDS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS matching for technology	\$ 28,979
General	Agency	MUNIS Consortium	3,553
Building	Debt Service	Bond payments	<u>738,759</u>
			<u>\$ 771,291</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 8 – DEFICIT OPERATING FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. Also, no funds had operations that resulted in a current year deficit of revenues over expenditures causing a corresponding reduction of fund balance.

**NOTE 9 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2014:

Contributions to Kentucky Teachers'		
Retirement System	\$	921,651
Health insurance, life insurance, flexible spending accounts (includes administrative fee)		1,870,480
Technology		29,791
Debt service		112,976
		112,976
	\$	2,934,898

The District included on-behalf payments in their budget. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities		
General Fund	\$	2,734,757
Debt Service Fund		112,976
Business-type activities:		
Food Service Fund		81,024
Other Enterprise Fund		6,141
		6,141
	\$	2,934,898

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 – PENSION PLANS**

The District contributes to the Kentucky Teachers' Retirement System (KTRS) and the County Employee's Retirement System (CERS). These are cost-sharing, multiple-employer defined benefit plans. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE). CERS administers similar programs for its employees and beneficiaries of county governmental entities, which includes classified employees of the District. Any benefit amendments of KTRS must be authorized by the State Legislature. The Board of Trustees of the Kentucky Retirement System administers CERS and, under provision of Kentucky Revised Statute Section 61.645, has the authority to establish and amend benefits.

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 issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>. CERS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

Contribution rates for both plans are determined by the legislature. KTRS members are required to contribute 11.355% of the employees' salaries to KTRS and the Commonwealth is required to contribute 14.605% of salaries. The federal program for any salaries paid by that program is required to pay the matching contribution. The District is required to contribute 1.50% of all KTRS member salaries to KTRS. CERS members hired before September 1, 2008, are required to contribute 5% of their salaries to CERS. CERS members hired on or after September 1, 2008, are required to contribute 6% of their salaries to CERS. The District is required to contribute 18.89% of all CERS salaries.

The District's total payroll for the year was \$10,335,105. The payroll for employees covered under KTRS was \$7,510,652 and for CERS was \$2,666,789.

The contribution requirement for CERS for the year ended June 30, 2014 was \$642,221 which consisted of \$503,888 from the District and \$138,333 from the employees. The Commonwealth contributed \$821,651 to KTRS for the benefit of participating employees. The District contributions to KTRS were \$183,526, which represents \$78,975 for those employees covered by federal programs and \$104,551 for all other KTRS employees.

The three-year trend information for the District's contribution requirement to KTRS and CERS is as follows:

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 – PENSION PLANS, continued**

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2014	\$ 687,414	100%
6/30/2013	662,113	100%
6/30/2012	686,880	100%

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as of the whole, derived from actuarial valuations (all dollar amounts are \$1,000's) performed as of June 30, 2013, (the actuarial reports for the year ended June 30, 2014 are not available):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL
KTRS	\$ 14,962,758	\$ 28,817,232	\$ 13,854,474
CERS	7,438,785	12,503,081	5,064,295

	Funded Ratio	Covered Payroll	Underfunded Actuarial Liability as Percentage of Covered Payroll
KTRS	51.90%	\$ 3,480,066	398.10%
CERS	59.50%	2,697,950	187.71%

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets. The District also offers employees the option to participate in a defined contribution plan under Internal Revenue Code Sections 403(b) and 457. The District does not contribute to these plans.

Medical Insurance Plan

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

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 – PENSION PLANS, continued**

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* – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, three percent (3%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

**NOTE 11 – CONTINGENCIES & COMMITMENTS**

Grant Programs

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

KSBIT

The District has been notified by the Kentucky School Board Insurance Trust of a \$64,624 liability for workers compensation losses incurred by the Trust. The District paid 25% down payment of \$16,156 in August 2014. The District chose to pay the remaining liability of \$48,468 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

**NOTE 12 – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**NOTE 13 – RISK MANAGEMENT AND LITIGATION**

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 worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards'

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 13 – RISK MANAGEMENT AND LITIGATION, continued**

Association. The District pays an annual premium to each fund 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.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

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

**NOTE 14 – COBRA**

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

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

**NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2014.

**NOTE 16 – EFFECT OF GASB 65 IMPLEMENTATION**

During the year ended June 30, 2014, the following affected the beginning net position of the District:

Changes were made to reflect the effect of implementing GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement requires that bond issue costs be shown as current period outflows and resources (expenses). A prior period adjustment of \$187,165 is shown as a decrease in the beginning net position in the Statement of Activities.

**CALDWELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 1,245,000	\$ 1,345,000	\$ 1,541,860	\$ 196,860
Motor vehicle	380,000	400,000	465,474	65,474
Utilities	850,000	850,000	1,167,071	317,071
Other	75,000	75,000	255,527	180,527
Earnings on investments	70,500	180,500	187,998	7,498
Other local revenues	30,001	33,826	84,447	50,621
Intergovernmental - state	8,156,249	11,110,523	11,121,200	10,677
<b>Total revenues</b>	<u>10,806,750</u>	<u>13,994,849</u>	<u>14,823,577</u>	<u>828,728</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	6,585,406	8,546,008	8,045,701	500,307
Support services:				
Student	466,400	636,100	625,534	10,566
Instructional staff	296,350	377,050	347,117	29,933
District administration	1,704,399	2,284,635	739,466	1,545,169
School administration	808,108	1,025,350	996,614	28,736
Business	458,700	610,500	556,427	54,073
Plant operation and maintenance	1,886,060	1,982,975	1,641,415	341,560
Student transportation	1,129,200	1,493,082	1,273,246	219,836
Community services	20,000	27,000	19,218	7,782
<b>Total expenditures</b>	<u>13,354,623</u>	<u>16,982,700</u>	<u>14,244,738</u>	<u>2,737,962</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(2,547,873)</u>	<u>(2,987,851)</u>	<u>578,839</u>	<u>3,566,690</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	-	-	164	164
Operating transfers in	-	-	-	-
Operating transfers out	(52,127)	(52,127)	(32,532)	19,595
<b>Total other financing sources (uses)</b>	<u>(52,127)</u>	<u>(52,127)</u>	<u>(32,368)</u>	<u>19,759</u>
<b>Net change in fund balance</b>	(2,600,000)	(3,039,978)	546,471	3,586,449
<b>Fund balance, July 1, 2013</b>	<u>2,600,000</u>	<u>3,039,978</u>	<u>3,605,561</u>	<u>565,583</u>
<b>Fund balance, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,152,032</u>	<u>\$ 4,152,032</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SPECIAL REVENUE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 428	\$ 428
Intergovernmental - state	642,767	744,842	694,065	(50,777)
Intergovernmental - federal	1,049,816	1,213,218	1,270,108	56,890
<b>Total revenues</b>	<u>1,692,583</u>	<u>1,958,060</u>	<u>1,964,601</u>	<u>6,541</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	1,442,292	1,629,029	1,685,971	(56,942)
Support services:				
Student	22,481	108,783	104,896	3,887
Instructional staff	10,099	10,099	8,326	1,773
Plant operations and maintenance	14,222	101,508	40,746	60,762
Student transportation	95,415	-	-	-
Community services	153,074	153,641	153,641	-
<b>Total expenditures</b>	<u>1,737,583</u>	<u>2,003,060</u>	<u>1,993,580</u>	<u>9,480</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(28,979)</u>	<u>16,021</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	45,000	45,000	28,979	(16,021)
<b>Total other financing sources (uses)</b>	<u>45,000</u>	<u>45,000</u>	<u>28,979</u>	<u>(16,021)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, July 1, 2013</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2014</b>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTARY INFORMATION**

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**NOTE 1 – BUDGETARY INFORMATION**

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

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

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

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

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

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

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

**CALDWELL COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 121,379	\$ 423,815	\$ 231,762	\$ 776,956
Total assets and resources	<u>\$ -</u>	<u>\$ 121,379</u>	<u>\$ 423,815</u>	<u>\$ 231,762</u>	<u>\$ 776,956</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	-	121,379	423,815	231,762	776,956
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>121,379</u>	<u>423,815</u>	<u>231,762</u>	<u>776,956</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 121,379</u>	<u>\$ 423,815</u>	<u>\$ 231,762</u>	<u>\$ 776,956</u>

**CALDWELL COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
From local sources:					
Taxes					
Property	\$ 289,466	\$ -	\$ -	\$ -	\$ 289,466
Earnings on investments	-	-	-	1,162	1,162
Intergovernmental - state	384,696	185,976	112,976	-	683,648
<b>Total revenues</b>	<u>674,162</u>	<u>185,976</u>	<u>112,976</u>	<u>1,162</u>	<u>974,276</u>
<b>EXPENDITURES</b>					
Debt service	-	-	841,168	-	841,168
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>841,168</u>	<u>-</u>	<u>841,168</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>674,162</u>	<u>185,976</u>	<u>(728,192)</u>	<u>1,162</u>	<u>133,108</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	-	-	738,759	-	738,759
Operating transfers out	(674,162)	(64,597)	-	-	(738,759)
<b>Total other financing     sources (uses)</b>	<u>(674,162)</u>	<u>(64,597)</u>	<u>738,759</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance:</b>	-	121,379	10,567	1,162	133,108
<b>Fund balances, July 1, 2013:</b>	-	-	413,248	230,600	643,848
<b>Fund balances, June 30, 2014:</b>	<u>\$ -</u>	<u>\$ 121,379</u>	<u>\$ 423,815</u>	<u>\$ 231,762</u>	<u>\$ 776,956</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Caldwell County High School	\$ 145,857	\$ 448,996	\$ 417,081	\$ 177,772	\$ -	\$ -	\$ 177,772
Caldwell County Middle School	92,340	59,625	82,246	69,719	-	-	69,719
Caldwell County Elementary School	30,415	24,247	20,215	34,447	-	-	34,447
Caldwell County Primary School	31,689	30,164	30,537	31,316	-	-	31,316
Total activity funds	<u>300,301</u>	<u>563,032</u>	<u>550,079</u>	<u>313,254</u>	<u>-</u>	<u>-</u>	<u>313,254</u>
West Kentucky Munis Corporation	44,788	54,796	60,404	39,180	3,631	-	42,811
Transfer from governmental fund	3,614	3,553	-	7,167	-	-	7,167
Total West Kentucky Munis Corporation	<u>48,402</u>	<u>58,349</u>	<u>60,404</u>	<u>46,347</u>	<u>3,631</u>	<u>-</u>	<u>49,978</u>
Hilltop Donations	1,835	718	-	2,553	-	-	2,553
Total agency funds	<u>\$ 350,538</u>	<u>\$ 622,099</u>	<u>\$ 610,483</u>	<u>\$ 362,154</u>	<u>\$ 3,631</u>	<u>\$ -</u>	<u>\$ 365,785</u>

**CALDWELL COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Cash Balance June 30, 2014
<b>Activity Funds</b>							
Caldwell County High School							
General	\$ 7,049	\$ 15,389	\$ 7,192	\$ 15,246	\$ -	\$ -	\$ 15,246
Guidance	370	355	690	35	-	-	35
Lockers	-	1,642	175	1,467	-	-	1,467
Parking	-	830	175	655	-	-	655
Donations	-	13,814	13,371	443	-	-	443
Relay for Life	165	92	163	94	-	-	94
Scholarship fund CD	-	-	-	-	-	-	-
Textbook	2,464	155	673	1,946	-	-	1,946
Testing funds	-	1,727	1,727	-	-	-	-
Coke	2,249	531	1,216	1,564	-	-	1,564
Ice cream	2,790	455	314	2,931	-	-	2,931
Faculty vending	1,517	2,247	2,795	969	-	-	969
Freshman Academy	174	-	166	8	-	-	8
Academic Club	987	2,321	807	2,501	-	-	2,501
Math Club	41	65	58	48	-	-	48
FBLA	492	6,216	6,245	463	-	-	463
FCCLA	55	1,270	1,119	206	-	-	206
Region II FCCLA	-	-	-	-	-	-	-
FCA	852	-	45	807	-	-	807
FFA	13,111	34,667	34,226	13,552	-	-	13,552
FFA fish pond	599	-	-	599	-	-	599
Key Club	370	2,708	3,015	63	-	-	63
National Honor Society	826	2,706	3,119	413	-	-	413
GT Academics	-	520	200	320	-	-	320
Pep Club	230	752	-	982	-	-	982
Champions	54	-	-	54	-	-	54
Spanish	236	125	330	31	-	-	31
Rubiks Cube Club	-	320	160	160	-	-	160
Student Council	1,288	565	849	1,004	-	-	1,004
Volleyball Club	85	235	231	89	-	-	89
Dodgeball Club	79	235	88	226	-	-	226
Bio-diesel	1,333	-	909	424	-	-	424
Agricultural	2,748	7,681	5,135	5,294	-	-	5,294
Art	778	1,985	1,849	914	-	-	914
Band	81	2,703	2,783	1	-	-	1
Business	317	1,026	835	508	-	-	508
Chorus	789	1,535	851	1,473	-	-	1,473
Creative foods	120	198	137	181	-	-	181
Math Department	-	5,838	1,998	3,840	-	-	3,840
Greenhouse	5,834	4,348	4,722	5,460	-	-	5,460
Home Economics	20	75	-	95	-	-	95
Lifeskills	42	110	10	142	-	-	142
Piano	80	80	-	160	-	-	160
Guitar	171	66	-	237	-	-	237
Science	1,312	1,767	1,318	1,761	-	-	1,761
Tiger Graphics	592	1,554	1,383	763	-	-	763
Tiger TV	514	-	55	459	-	-	459

(continued)

**CALDWELL COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Marketing	657	445	1,102	-	-	-	-
Athletic	11,994	133,968	117,878.00	28,084	-	-	28,084
CCFFAA	4,505	33,202	36,573	1,134	-	-	1,134
Baseball	5,312	5,821	8,242	2,891	-	-	2,891
Softball	6,001	5,906	6,945	4,962	-	-	4,962
Concessions	-	8,534	4,235	4,299	-	-	4,299
Girls basketball	1,000	10,040	9,887	1,153	-	-	1,153
Boys basketball	941	10,125	9,438	1,628	-	-	1,628
Girl's soccer	7,845	5,342	8,584	4,603	-	-	4,603
Concessions - soccer	-	5,272	5,272	-	-	-	-
Boy's soccer	8,714	15,066	17,305	6,475	-	-	6,475
Track team	1,204	1,350	1,448	1,106	-	-	1,106
Girl's cross country	533	839	1,322	50	-	-	50
Boy's cross country	488	910	1,347	51	-	-	51
Friends of Tennis	3,445	8,153	8,085	3,513	-	-	3,513
Volleyball	1,050	28,605	23,398	6,257	-	-	6,257
Class of 2013	585	-	585	-	-	-	-
Class of 2014	4,203	1,842	5,064	981	-	-	981
Class of 2015	790	14,355	12,061	3,084	-	-	3,084
Class of 2016	44	810	25	829	-	-	829
Annual	15,660	22,271	16,821	21,110	-	-	21,110
Americorps	-	400	323	77	-	-	77
School to Work	308	-	45	263	-	-	263
Library	796	314	366	744	-	-	744
Spring musical	1,078	-	-	1,078	-	-	1,078
Cheerleaders Blue	3,405	12,683	15,847	241	-	-	241
English Department savings	485	92	11	566	-	-	566
English Department CD	9,000	-	-	9,000	-	-	9,000
CCHS scholarship fund	5,000	10	5	5,005	-	-	5,005
	145,857	445,263	413,348	177,772	-	-	177,772
Less: Interfund transfers	-	3,733	3,733	-	-	-	-
<b>Totals</b>	<b>\$ 145,857</b>	<b>\$ 448,996</b>	<b>\$ 417,081</b>	<b>\$ 177,772</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,772</b>

**CALDWELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Education Agencies	84.010	310000211	\$ 6,497	
		310000212	235,190	
		310000213	<u>397,003</u>	\$ 638,690
Migrant Education - State Grant Program	84.011	311000212	23,072	
		311000213	<u>81,825</u>	104,897
Career and Technical Education - Basic Grants to States	84.048	371000213		19,672
Special Education Preschool Grants***	84.173	380000212	3,184	
		380000213	<u>24,189</u>	27,373
Improving Teacher Quality State Grants	84.367	323000212	36,562	
		323000213	<u>79,345</u>	115,907
Special Education - Grants to States***	84.027	381000212	88,626	
		381000213	<u>233,814</u>	322,440
Rural School	84.358	314000212	4,786	
		314000213	<u>29,972</u>	34,758
Race to the Top	84.413	396000211		<u>6,371</u>
Total U. S. Department of Education				<u>1,270,108</u>
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program***	* 10.553	7760005-13	28,993	
		7760005-14	<u>130,532</u>	159,525
National School Lunch Program***	* 10.555	7750002-13	106,767	
		7750002-14	438,118	
Noncash Assistance - Commodities (Note 4)		Fund 51	<u>75,437</u>	<u>620,322</u>
Total U.S. Department of Agriculture				<u>779,847</u>
Total Expenditures of Federal Awards				<u>\$ 2,049,955</u>

\*Child Nutrition Cluster

\*\*Special Education Cluster

\*\*\*Major Program

**CALDWELL COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Caldwell County School District (the "District") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – COMMODITIES**

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

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



**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**

Kentucky State Committee  
for School District Audits  
Members of the  
Caldwell County Board of Education  
Princeton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Caldwell County School District's basic financial statements and have issued our report thereon dated October 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Caldwell 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 Caldwell County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Caldwell 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

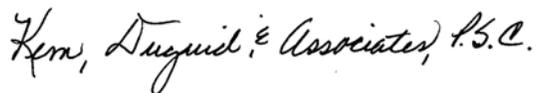
As part of obtaining reasonable assurance about whether Caldwell County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*. However, we noted certain matters that we have reported to management of Caldwell County School District in a separate letter dated October 30, 2014.

### **Purpose of this Report**

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

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



Certified Public Accountants  
Hopkinsville, Kentucky

October 30, 2014

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



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee  
for School District Audits  
Members of the  
Caldwell County Board of Education  
Princeton, Kentucky

### **Report on Compliance for Each Major Federal Program**

We have audited Caldwell County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Caldwell County School District's major federal programs for the year ended June 30, 2014. Caldwell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

## Opinion on Each Major Federal Program

In our opinion, Caldwell 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, 2014.

## Report on Internal Control over Compliance

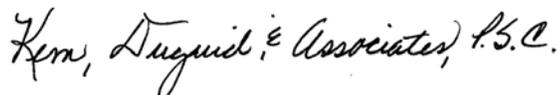
Management of Caldwell County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Caldwell County School District's internal 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Caldwell 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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



Certified Public Accountants  
Hopkinsville, Kentucky

October 30, 2014

**CALDWELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Caldwell County School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Caldwell County School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit of Caldwell County School District.
5. The auditor's report on compliance for the major federal award programs for Caldwell County School District expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major programs were:

<u>Program Title</u>	<u>CFDA Number</u>
Special Education	84.027
Special Education - Preschool	84.173
School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Caldwell County School District was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**CALDWELL COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

There were no prior year findings to report for Caldwell County School District.

**MANAGEMENT COMMENTS FOR AUDIT**

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



October 30, 2014

Members of the Board of Education  
Caldwell County School District  
Princeton, Kentucky

In planning and performing our audit of the financial statements of Caldwell County School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we did not become aware of any matters, other than inconsequential matters, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter reflects that result. This letter does not affect our reported dated October 30, 2014, on the financial statements of Caldwell County School District.

Respectfully,

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

Certified Public Accountants  
Hopkinsville, Kentucky

**CALDWELL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

None