

Campbell County School District

**Financial Statements with Supplementary Information
June 30, 2014
Independent Auditors' Report**

CAMPBELL COUNTY SCHOOL DISTRICT
June 30, 2014

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June 30, 2014

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Independent Auditors' Report

To the Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell 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 Campbell County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell 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.

**Independent Auditors' Report
(Continued)**

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 through 8 and pages 15 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Campbell County School District's basic financial statements. The introductory section 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.

Reporting Other Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the Campbell 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 Campbell County School District's internal control over financial reporting and compliance.



CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of Campbell County Board of Education (Board), the governing body for the Campbell County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

Campbell County Schools continues its commitment to high student academic achievement and preparation for college, career and life. Focus points guiding the District in 2014 include high academic achievement, enhanced building facilities, enhanced and increased technology facilities and school/community relations. These objectives served as the catalyst for many initiatives and projects throughout the year as the District strived to improve in several areas. Financial support came from several sources including General Funds, federal and state grants and revenue bonds. Overall, the District experienced a successful financial year being able to support the improvement initiatives and maintain a quality level of district operations.

- The District's governmental funds are accounted for using the modified accrual basis of accounting. In 2014, all governmental funds had total revenues and other financing sources of \$54.5 million and total expenditures and other financing uses of \$53.4 million. The General Fund balance increased by approximately \$866,000. This was the result of revenues exceeding expenditures by approximately \$554,000, sales of capital assets of \$40,000, net transfers out of \$144,000 and bond proceeds of \$415,000. This included transfers to the Construction Fund of \$172,000 as part of the planned contribution to complete the new area technology center and athletic complex located on the high schools grounds (ATC), as well as other combined transfers between the Special Revenue and Food Service Funds of \$28,000.
- Compared to the prior year, the 2013 -14 expenses for salaries decreased approximately 3%. This was the result of The Board approving a plan in March 2013 that consisted of Support Service Restructuring, changes to Job Descriptions and Salary Schedules necessary to prepare for a reduction in Federal, State and Local revenue. The plan was developed to allow the district to operate more efficiently and effectively with minimal impact on the classrooms and student achievement.
- The ATC and Stadium Projects were completed during the 2013 -14 school year at a total cost of approximately \$20 million.
- In February 2014, the District issued bonds with a par amount of \$415,000 through the Campbell County School District Finance Corporation for the purchase of property located at 111 Orchard Lane, Alexandria, Ky. The entire \$415,000 will be serviced by the District.
- The District has continued to look into ways to invest the District's money until the money is needed. The District currently has multiple Certificates of Deposit (CD) with an approximate value of \$370,000. This investment opportunity earns interest for the District.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS (Continued)

- **Federal Funding.** The District is awarded several federal grants each year for the purpose of enhancing and supplementing educational activities in many areas. The grants also provide additional resources to serve some specified student populations. The District was awarded approximately \$2.6 million in educational federal grant awards in 2014. This was comparable to that received in 2013. These funds are very instrumental in improving and advancing instruction quality, curriculum, technology and ultimately student assessment performance.

The District has increased efforts to apply for competitive grants. The following grants were awarded during the 2013 - 14 school year:

- Elementary and Secondary Counselor Grants, \$75,000
 - 21st Century Community Learning Centers Grant, \$600,000
 - Kentucky Department of Education Grant, \$65,000, one of 5 districts in Kentucky to receive this grant
 - Race to the Top III Grant, \$19,000
 - Read to Achieve Grant, \$242,500 (administered through the State)
 - Northern Kentucky Coop Regional Grant – 16 districts are collaborating on a \$30 million grant for the Northern Kentucky Coop to be able to provide services to the Northern Kentucky school districts
- **State Funding.** The District's state funding, representing approximately 38% of General Fund receipts (net of on- behalf payments), is highly dependent on the receipt and budgeting of the revenues of the Commonwealth of Kentucky. Unfortunately, the state continues to experience significant budgetary problems related to deterioration in state revenues caused by the decline in the economy. Thus, state SEEK (Support Excellence in Kentucky Education) and education grant funding have become very vulnerable to reductions in this environment.

The most significant factor in determining the amount of state funds that the District receives is the Support Excellence in Kentucky Education (SEEK) base per average daily student attendance (ADA). The 2013 - 14 SEEK base was \$3,827 per ADA, slightly lower than the \$3,833 of the prior year. Total 2014 SEEK funds decreased by approximately \$119,000 over 2013. SEEK tentative projections for 2014/2015 indicates an increase of approximately \$400,000. This is the result of an increase in the guaranteed base necessary to partially fund the one percent state mandated salary increase for all district employees. The District continues to apply for competitive state grants. In 2014 and 2015 the District was awarded the Advance Kentucky Grant, \$98,000.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

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 are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 33 of this report.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-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 \$22,802,521 as of June 30, 2014.

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

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

Net Position for the periods ending June 30, 2014 and 2013

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 9,185,809	\$ 9,390,504
Noncurrent assets	71,604,795	73,904,691
Total assets	<u>\$ 80,790,604</u>	<u>\$ 83,295,195</u>
Current liabilities	\$ 5,782,234	\$ 6,650,992
Noncurrent liabilities	52,205,849	55,768,618
Total liabilities	<u>\$ 57,988,083</u>	<u>\$ 62,419,610</u>
Net position:		
Investment in capital assets (net of debt)	\$ 16,464,863	\$ 15,528,404
Unrestricted	6,337,658	5,347,181
Total net position	<u>\$ 22,802,521</u>	<u>\$ 20,875,585</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$41,235,326, net of inter-fund transfers, of \$126,502.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$8,181,995 more than budget or approximately 25% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Comments on General Fund Budget Comparisons (Continued)

- General Fund actual expenditures were \$40,225,227, net of inter-fund transfers of \$270,750.
- General Fund actual expenditures were more than budgeted expenditures by \$1,628,842. This variance reflects \$6,780,006 of "on-behalf" payments made by the state not included in budgeted amounts.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,520,085	\$ 1,689,864
Operating grants	5,624,320	12,595,494
Capital grants	<u>1,490,662</u>	<u>2,057,575</u>
Total grant revenues	<u>8,635,067</u>	<u>16,342,933</u>
General revenues:		
Taxes	23,465,495	21,943,693
Grants and entitlements	19,628,168	12,596,067
Earnings on investments	24,815	50,282
Gains on sale of capital assets	(4,963)	10,162
Miscellaneous	<u>613,527</u>	<u>645,128</u>
Total general revenues	<u>43,727,042</u>	<u>35,245,332</u>
Total revenues	<u>52,362,109</u>	<u>51,588,265</u>
Expenses		
Instructional	23,663,410	24,268,013
Student support services	2,936,074	2,862,487
Staff support	2,730,578	2,953,338
District administration	1,486,946	1,512,419
School administration	2,440,802	2,580,877
Business support	1,427,743	1,557,826
Plant operations	5,648,542	5,292,272
Student transportation	4,745,528	4,532,228
Food service operation	2,782,562	2,878,141
Facilities acquisition and construction	-	-
Community service	352,201	343,243
Bond Issuance Cost	-	192,974
Interest on long-term debt	<u>2,220,787</u>	<u>2,057,575</u>
Total expenses	<u>50,435,173</u>	<u>51,031,393</u>
Excess of revenues over expenses	<u>\$ 1,926,936</u>	<u>\$ 556,872</u>

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the District by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for new employees/positions.

The most significant budgeted fund is the General Fund. The working budget mirrors the tentative budget that was presented in May. The tentative budget was \$36.2 million and the working budget was \$38.6 million. By law, the budget for the General Fund must have a minimum 2% contingency based on budgeted expenses for all funds. For 2013 - 14 our budgeted contingency was \$19,166 more than required by law.

ACADEMIC ACHIEVEMENT HIGHLIGHTS

- Campbell County is a KY Distinguished District (93rd Percentile) on State Assessments
- Campbell County is Nationally Ranked
- CCHS was listed as one of the best public high schools in the nation – Newsweek
- CCHS was listed as one of the most challenging high schools in the nation – Washington Post
- CCHS was ranked 531 in the nation – The Daily Beast
- Number of Advanced Placement exams administered increased from 213 to 794 exams, an increase of 581 exams in 3 years.
- District Composite ACT Score 21.1
- Cline Elementary is a National Blue Ribbon School

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Glen Miller, Superintendent, or Ms. Tracey Jolly, Finance Director, by telephone at 859-635-2173 or by mail to the Central Office, 101 Orchard Lane, Alexandria, KY 41001.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 7,905,337	\$ 59,016	\$ 7,964,353
Accounts receivable	1,161,130	50	1,161,180
Inventories for consumption	-	60,276	60,276
Total current	<u>9,066,467</u>	<u>119,342</u>	<u>9,185,809</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	5,090,767	-	5,090,767
Depreciated capital assets:			
Land improvements	6,319,954	-	6,319,954
Buildings and improvements	81,339,462	-	81,339,462
Furniture and equipment	13,852,153	5,811,859	19,664,012
Less accumulated depreciation	<u>(38,297,557)</u>	<u>(2,511,843)</u>	<u>(40,809,400)</u>
Total noncurrent	<u>68,304,779</u>	<u>3,300,016</u>	<u>71,604,795</u>
Total assets	<u>77,371,246</u>	<u>3,419,358</u>	<u>80,790,604</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	3,153,747	-	3,153,747
Accounts payable	1,246,177	11,879	1,258,056
Accrued interest	784,167	-	784,167
Accrued sick leave	124,407	-	124,407
Accrued payroll and related expenses	17,562	-	17,562
Assessed KSBIT liability	69,380	-	69,380
Accrued insurance claims liability	-	-	-
Unearned revenues	374,915	-	374,915
Total current	<u>5,770,355</u>	<u>11,879</u>	<u>5,782,234</u>
Noncurrent:			
Accrued sick leave	219,664	-	219,664
Bond obligations	51,986,185	-	51,986,185
Total noncurrent	<u>52,205,849</u>	<u>-</u>	<u>52,205,849</u>
Total liabilities	<u>57,976,204</u>	<u>11,879</u>	<u>57,988,083</u>
Net Position			
Invested in capital assets, net of related debt	13,164,847	3,300,016	16,464,863
Restricted	2,470,764	107,463	2,578,227
Unrestricted	3,759,431	-	3,759,431
Total net position	<u>\$ 19,395,042</u>	<u>\$ 3,407,479</u>	<u>\$ 22,802,521</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instructional	\$ 23,663,410	\$ 175,744	\$ 2,119,632	\$ -	\$ (21,368,034)	\$ -	\$ (21,368,034)
Student support services	2,936,074	-	620,365	-	(2,315,709)	-	(2,315,709)
Staff support services	2,730,578	-	614,499	-	(2,116,079)	-	(2,116,079)
District administration	1,486,946	-	-	-	(1,486,946)	-	(1,486,946)
School administration	2,440,802	-	78,710	-	(2,362,092)	-	(2,362,092)
Business support services	1,427,743	-	86,181	-	(1,341,562)	-	(1,341,562)
Plant operation and maintenance	5,648,542	-	43,042	-	(5,605,500)	-	(5,605,500)
Student transportation	4,745,528	462,200	151,989	-	(4,131,339)	-	(4,131,339)
Food service operation	6,743	-	251	-	(6,492)	-	(6,492)
Community service operations	352,201	-	256,091	-	(96,110)	-	(96,110)
Facility acquisition and construction	-	-	-	-	-	-	-
Interest on long-term debt	2,220,787	-	-	1,490,662	(730,125)	-	(730,125)
Total governmental activities	<u>47,659,354</u>	<u>637,944</u>	<u>3,970,760</u>	<u>1,490,662</u>	<u>(41,559,988)</u>	<u>-</u>	<u>(41,559,988)</u>
Business-type Activities:							
Food service	2,775,819	882,141	1,653,560	-	-	(240,118)	(240,118)
Total business-type activities	<u>2,775,819</u>	<u>882,141</u>	<u>1,653,560</u>	<u>-</u>	<u>-</u>	<u>(240,118)</u>	<u>(240,118)</u>
Total school district	<u>\$ 50,435,173</u>	<u>\$ 1,520,085</u>	<u>\$ 5,624,320</u>	<u>\$ 1,490,662</u>	<u>\$ (41,559,988)</u>	<u>\$ (240,118)</u>	<u>\$ (41,800,106)</u>
			General revenues:				
			Taxes		\$ 23,465,495	\$ -	\$ 23,465,495
			State and federal sources		19,628,168	-	19,628,168
			Investment earnings		23,702	1,113	24,815
			Miscellaneous		513,915	-	513,915
			Special items:				
			Loss on disposal of fixed assets		(4,963)	-	(4,963)
			KISBIT Assessment		-	-	-
			Bond proceeds		-	-	-
			Fund transfer		99,612	-	99,612
			Total general and business revenues		<u>43,725,929</u>	<u>1,113</u>	<u>43,727,042</u>
			Change in net position		2,165,941	(239,005)	1,926,936
			Net position - beginning		18,116,243	3,646,484	21,762,727
			Net position adjustment		(887,142)	-	(887,142)
			Net position - ending		<u>\$ 19,395,042</u>	<u>\$ 3,407,479</u>	<u>\$ 22,802,521</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Balance Sheet - Governmental Funds
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 7,633,719	\$ 24,125	\$ 247,494	\$ 7,905,338
Accounts receivable	752,906	408,224	-	1,161,130
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current	<u>\$ 8,386,625</u>	<u>\$ 432,349</u>	<u>\$ 247,494</u>	<u>\$ 9,066,468</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,188,744	\$ 57,434	\$ -	\$ 1,246,178
Accrued payroll and related expenses	17,562	-	-	17,562
Unearned revenues	-	374,915	-	374,915
Current portion of accumulated sick leave	100,000	-	-	100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,306,306</u>	<u>432,349</u>	<u>-</u>	<u>1,738,655</u>
 Fund Balances				
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed:				
Sick leave	244,071	-	-	244,071
Future construction	18,075	-	-	18,075
Assigned	2,223,270	-	247,494	2,470,764
Unassigned	4,594,903	-	-	4,594,903
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>7,080,319</u>	<u>-</u>	<u>247,494</u>	<u>7,327,813</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 8,386,625</u>	<u>\$ 432,349</u>	<u>\$ 247,494</u>	<u>\$ 9,066,468</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
As of June 30, 2014**

Total governmental fund balance		\$ 7,327,813
<p>Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in governmental funds.</p>		
Construction in process	-	
Cost of capital assets	106,602,336	
Accumulated depreciation	<u>(38,297,557)</u>	
		68,304,779
<p>Long-term liabilities (including bonds payable) are not due and payable in the current period, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year end consisted of:</p>		
Bonds payable		(55,139,932)
Accrued interest on bonds		(784,167)
Assessed KISBIT liability		(69,380)
Additional accrued sick leave (district wide sick leave of \$344,071 less \$100,000 sick leave presented on General Fund balance sheet)		<u>(244,071)</u>
Total net position - governmental		<u><u>\$ 19,395,042</u></u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 19,975,955	\$ -	\$ 3,489,538	\$ 23,465,493
Earnings on investments	23,702	-	-	23,702
State sources	19,459,158	1,855,889	1,490,662	22,805,709
Federal sources	169,010	2,086,183	-	2,255,193
Other sources	1,151,859	28,688	-	1,180,547
Total revenues	<u>40,779,684</u>	<u>3,970,760</u>	<u>4,980,200</u>	<u>49,730,644</u>
Expenditures				
Instructional	21,935,730	2,121,389	-	24,057,119
Student support services	2,313,460	620,365	-	2,933,825
Staff support services	1,270,880	614,499	-	1,885,379
District administration	1,295,771	-	-	1,295,771
School administration	2,347,193	78,710	-	2,425,903
Business support services	1,264,444	86,181	-	1,350,625
Plant operation and maintenance	4,676,725	43,042	47,726	4,767,493
Student transportation	4,231,804	151,989	-	4,383,793
Food service operation	885	251	-	1,136
Community service operations	96,111	256,091	-	352,202
Contract services	-	-	3,952	3,952
Facility acquisition and construction	504,870	-	120,855	625,725
Miscellaneous	1,655	-	-	1,655
Debt service:				
Principal	245,266	-	2,883,441	3,128,707
Interest	40,431	-	1,918,837	1,959,268
Total expenditures	<u>40,225,225</u>	<u>3,972,517</u>	<u>4,974,811</u>	<u>49,172,553</u>
Excess (deficit) of revenues over expenditures	<u>554,459</u>	<u>(1,757)</u>	<u>5,389</u>	<u>558,091</u>
Other financing sources (uses)				
Loan and bond proceeds	415,000	-	-	415,000
Proceeds from sale of assets	40,642	-	-	40,642
Operating transfers in	126,502	71,330	4,177,450	4,375,282
Operating transfers out	(270,750)	(69,573)	(3,935,345)	(4,275,668)
Total other financing sources (uses)	<u>311,394</u>	<u>1,757</u>	<u>242,105</u>	<u>555,256</u>
Net change in fund balance	865,853	-	247,494	1,113,347
Fund balance, July 1, 2013	<u>6,214,466</u>	<u>-</u>	<u>-</u>	<u>6,214,466</u>
Fund balance, June 30, 2014	<u>\$ 7,080,319</u>	<u>\$ -</u>	<u>\$ 247,494</u>	<u>\$ 7,327,813</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

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

Net changes - governmental funds		\$ 1,113,347
Proceeds from sale of bonds	<u>(415,000)</u>	(415,000)

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(3,194,447)	
Construction in progress	-	
Capital outlays	1,110,223	
Retirement of capital assets	<u>(45,605)</u>	(2,129,829)

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

Principal paid		3,128,707
----------------	--	-----------

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

		<u>468,716</u>
Changes in net position of governmental activities		<u><u>\$ 2,165,941</u></u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund
Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 19,220,000	\$ 19,220,000	\$ 19,975,957	\$ 755,957
State sources	12,644,214	12,744,214	19,459,158	6,714,944
Federal sources	130,000	130,000	169,010	39,010
Other sources	1,124,379	1,085,621	1,757,705	672,084
Total revenues	33,118,593	33,179,835	41,361,830	8,181,995
Expenditures				
Instructional	18,630,499	18,706,572	21,935,734	(3,229,162)
Student support services	1,718,560	1,718,560	2,313,461	(594,901)
Staff support services	1,318,042	1,310,542	1,270,880	39,662
District administration	1,497,403	1,497,403	1,295,769	201,634
School administration	2,098,370	2,103,810	2,347,193	(243,383)
Business support services	1,653,380	1,653,380	1,264,444	388,936
Plant operation and maintenance	5,646,141	5,586,141	4,676,725	909,416
Student transportation	4,501,550	4,501,550	4,231,804	269,746
Food service operation	2,955	2,955	885	2,070
Community service operations	95,184	95,084	96,111	(1,027)
Facility acquisition and construction	175,000	175,000	504,870	(329,870)
Debt service	315,276	315,276	287,351	27,925
Other	1,154,769	1,200,862	270,750	930,112
Total expenditures	38,807,129	38,867,135	40,495,977	(1,628,842)
Net change in fund balance	(5,688,536)	(5,687,300)	865,853	6,553,153
Fund balance, July 1, 2013	5,688,536	5,687,300	6,214,466	527,166
Fund balance, June 30, 2014	\$ -	\$ -	\$ 7,080,319	\$ 7,080,319

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Other local sources	\$ 2,377	\$ 11,125	\$ 28,688	\$ 17,563
State sources	1,633,907	1,712,653	1,855,890	143,237
Federal sources	3,113,930	2,689,166	2,086,183	(602,983)
Other sources	75,538	75,538	71,330	(4,208)
	<u>4,825,752</u>	<u>4,488,482</u>	<u>4,042,091</u>	<u>(446,391)</u>
Expenditures				
Instructional	2,879,338	2,460,410	2,121,389	339,021
Student support services	763,145	849,159	620,365	228,794
Staff support services	589,170	589,576	614,499	(24,923)
School administration	81,824	81,824	78,710	3,114
Business support services	-	-	86,181	(86,181)
Plant operation and maintenance	18,655	18,655	43,042	(24,387)
Student transportation	243,717	235,808	151,989	83,819
Food service operation	(748)	-	-	-
Community service operations	250,291	251,145	256,091	(4,946)
Facility acquisition and construction	-	-	251	(251)
Other	360	1,905	69,574	(67,669)
	<u>4,825,752</u>	<u>4,488,482</u>	<u>4,042,091</u>	<u>446,391</u>
Net change in fund balance	-	-	-	(892,782)
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (892,782)</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
As of June 30, 2014

	Food Service	Total
Assets		
Current:		
Cash and cash equivalents	\$ 59,016	\$ 59,016
Accounts receivable	50	50
Inventories for consumption	60,276	60,276
Total current	119,342	119,342
Noncurrent:		
Furniture and fixtures	5,811,859	5,811,859
Less accumulated depreciation	(2,511,843)	(2,511,843)
Total noncurrent	3,300,016	3,300,016
Total assets	3,419,358	3,419,358
Liabilities and Net Position		
Liabilities		
Current:		
Accounts payable	11,879	11,879
Total current	11,879	11,879
Net Position		
Invested in assets, net of debt	3,300,016	3,300,016
Restricted	107,463	107,463
Total net position	\$ 3,407,479	\$ 3,407,479

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2014**

	<u>Food Service</u>	<u>Total</u>
Operating revenues		
Lunchroom sales	\$ 881,399	\$ 881,399
Other operating revenues	742	742
	<hr/>	<hr/>
Total operating revenues	882,141	882,141
	<hr/>	<hr/>
Operating expenses		
Salaries and benefits	1,204,233	1,204,233
Contract services	59,123	59,123
Materials and supplies	1,238,313	1,238,313
Depreciation	170,066	170,066
Other operating expenses	4,470	4,470
	<hr/>	<hr/>
Total operating expenses	2,676,205	2,676,205
	<hr/>	<hr/>
Operating loss	(1,794,064)	(1,794,064)
	<hr/>	<hr/>
Nonoperating revenues (expenses)		
Federal grants	1,155,279	1,155,279
State grants	324,643	324,643
Donated commodities and other donations	173,638	173,638
Transfers	(99,614)	(99,614)
Loss on disposal of capital assets	-	-
Interest income	1,113	1,113
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	1,555,059	1,555,059
	<hr/>	<hr/>
Net income	(239,005)	(239,005)
	<hr/>	<hr/>
Total net position, July 1, 2013	3,646,484	3,646,484
	<hr/>	<hr/>
Total net position, June 30, 2014	<u>\$ 3,407,479</u>	<u>\$ 3,407,479</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2014

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 881,399	\$ 881,399
Cash received from other activities	742	742
Cash payments to employees for services	(1,263,355)	(1,263,355)
Cash payments to suppliers for goods and services	(1,237,138)	(1,237,138)
Net cash used in operating activities	(1,618,352)	(1,618,352)
Cash flows from capital financing activities		
Transfers	(99,614)	(99,614)
Purchase of capital assets	-	-
Net cash used in capital financing activities	(99,614)	(99,614)
Cash flows from noncapital financing activities		
Non-operating revenues received	1,775,869	1,775,869
Net cash provided by noncapital financing activities	1,775,869	1,775,869
Cash flows from investing activities		
Interest on investments	1,113	1,113
Net cash flows provided by investing activities	1,113	1,113
Net increase (decrease) in cash and cash equivalents	59,016	59,016
Cash (overdraft) and cash equivalents - beginning	-	-
Cash (overdraft) and cash equivalents - ending	\$ 59,016	\$ 59,016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,794,064)	\$ (1,794,064)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	170,066	170,066
Changes in assets and liabilities:		
(Decrease) increase in accounts payable	(14,208)	(14,208)
(Increase) decrease in accounts receivable	-	-
(Increase) decrease in inventories	19,854	19,854
Net cash used in operating activities	\$ (1,618,352)	\$ (1,618,352)
Schedule of non-cash transactions		
Donated commodities received from federal government	\$ 173,638	\$ 173,638

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2014**

	<u>School Activity Funds</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$ 674,603	\$ 674,603
Total assets	<u>674,603</u>	<u>674,603</u>
Liabilities		
Due to student groups	<u>674,603</u>	<u>674,603</u>
Total liabilities	<u>\$ 674,603</u>	<u>\$ 674,603</u>

See notes to the financial statements

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Campbell 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 Campbell 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. 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 Campbell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. 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:

Campbell County School District Finance Corporation - The Board authorized the establishment of the Campbell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Campbell County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

The district-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 district-wide statements and the statements for governmental funds.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) 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 on pages 42. This is a major fund of the District.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. 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.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-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 district-wide statement of net position and in the respective funds.

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Accumulated Unpaid Sick Leave Benefits

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 using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". 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 internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 4,585,897	\$ 504,870	\$ -	\$ 5,090,767
Land improvements	3,330,256	2,989,698	-	6,319,954
Construction in progress	20,353,296	-	20,353,296	-
Buildings and improvements	65,066,485	16,272,977	-	81,339,462
Technology equipment	4,165,706	164,663	521,127	3,809,242
Vehicles	5,740,383	70,693	25,650	5,785,426
General equipment	2,806,766	1,460,618	9,899	4,257,485
Totals at historical cost	106,048,789	21,463,519	20,909,972	106,602,336
Less: accumulated depreciation				
Land improvements	2,110,543	275,340	-	2,385,883
Buildings and improvements	25,051,275	1,807,094	-	26,858,369
Technology equipment	2,999,540	413,896	478,436	2,935,000
Vehicles	3,495,998	427,028	25,650	3,897,376
General equipment	1,956,825	271,089	6,985	2,220,929
Total accumulated depreciation	35,614,181	3,194,447	511,071	38,297,557
Governmental activities capital assets - net	\$ 70,434,608	\$ 18,269,072	\$ 20,398,901	\$ 68,304,779
<u>Business - Type Activities</u>				
Building and improvements	\$ 4,340,837	\$ -	\$ -	\$ 4,340,837
General equipment	1,459,680	-	1,306	1,458,374
Technology equipment	18,448	-	5,800	12,648
Totals at historical cost	5,818,965	-	7,106	5,811,859
Less: accumulated depreciation				
Building and improvements	1,320,585	92,456	-	1,413,041
General equipment	1,011,944	76,769	1,306	1,087,407
Technology equipment	16,353	842	5,800	11,395
Total accumulated depreciation	2,348,882	170,067	7,106	2,511,843
Business - type activities capital assets - net	\$ 3,470,083	\$ (170,067)	\$ -	\$ 3,300,016

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$444,071 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

Issue Date	Proceeds	Rates
January 1, 2004	\$ 371,202	1.000% - 3.500%
February 1, 2004	13,425,000	1.100% - 4.470%
October 1, 2004	7,050,000	1.860% - 3.750%
January 1, 2005	393,835	3.000% - 3.625%
January 1, 2006	418,818	3.300% - 4.000%
July 1, 2006	18,015,000	4.000% - 5.000%
September 1, 2006	425,343	3.500% - 3.875%
January 1, 2008	476,689	3.000% - 3.750%
January 1, 2009	355,025	3.100% - 3.900%
January 1, 2009	237,430	2.300% - 3.250%
October 1, 2010	595,000	2.000% - 2.700%
August 1, 2011	17,200,000	2.000% - 4.375%
July 1, 2012	1,250,000	2.000% - 3.600%
August 1, 2012	11,975,000	2.000% - 2.625%
February 1, 2013	5,495,000	0.900%
February 1, 2014	415,000	2.000% - 3.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are reported in Note 16.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. 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 KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$2,639,455, which consisted of \$407,614 from the District and \$2,231,841 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$2,907,727 and \$2,773,286, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$1,661,890, which consisted of \$1,305,034 from the District and \$356,856 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$1,735,790 and \$1,354,171 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$26,500,934. The payroll for employees covered under KTRS was \$19,655,855 and for CERS was \$6,845,079.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 CONTINGENCIES

Grant Fund Approval

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

NOTE 9 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for 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 Association. The District pays an annual premium to each fund for coverage. 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 is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Food Service	\$	239,005
Campbell Ridge Elementary		31,540
John W. Reily Elementary		6,966
Donald E. Cline Elementary		1,288

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 12 COBRA

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

NOTE 13 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$69,380. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	360	Construction	\$ 172,533
1	52	Operating	26,887
1	2	Operating	71,330
51	1	Indirect Cost	126,502
310	400	Debt Service	445,807
320	400	Debt Service	3,489,538
2	400	Debt Service	69,574

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2014 total payments of \$8,125,967 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 6,780,006
Debt Service	1,044,855
Food Service	<u>301,106</u>
Total On-Behalf	<u>\$ 8,125,967</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM DEBT

2004, 2004B, 2006, 2010-Ref, 2011, 2012, 2012-Ref, 2013-Ref, 2014 and KISTA Bus Loans

Fiscal Year	Campbell County School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2014-2015	\$ 2,474,980	\$ 1,562,347	\$ 4,037,327	\$ 678,767	\$ 328,469	\$ 1,007,236	\$ 5,044,563
2015-2016	2,490,716	1,505,490	3,996,206	688,972	312,663	1,001,635	4,997,841
2016-2017	2,487,167	1,450,543	3,937,710	679,031	296,261	975,292	4,913,002
2017-2018	2,490,147	1,399,025	3,889,172	654,864	280,073	934,937	4,824,109
2018-2019	2,493,646	1,346,535	3,840,181	651,642	263,004	914,646	4,754,827
2019-2020	2,619,016	1,273,868	3,892,884	570,984	245,595	816,579	4,709,463
2020-2021	2,716,489	1,184,355	3,900,844	588,511	228,640	817,151	4,717,995
2021-2022	2,808,683	1,089,649	3,898,332	611,317	210,453	821,770	4,720,102
2022-2023	2,909,501	988,901	3,898,402	625,499	190,854	816,353	4,714,755
2023-2024	3,012,565	882,338	3,894,903	647,435	169,552	816,987	4,711,890
2024-2025	3,179,460	739,604	3,919,064	470,540	146,224	616,764	4,535,828
2025-2026	3,322,528	596,449	3,918,977	487,472	127,278	614,750	4,533,727
2026-2027	3,478,020	439,784	3,917,804	486,980	107,858	594,838	4,512,642
2027-2028	1,539,643	325,488	1,865,131	445,357	89,436	534,793	2,399,924
2028-2029	1,609,074	261,508	1,870,582	465,926	71,437	537,363	2,407,945
2029-2030	1,678,932	192,643	1,871,575	486,068	52,071	538,139	2,409,714
2030-2031	1,752,437	118,632	1,871,069	512,563	31,160	543,723	2,414,792
2031-2032	1,835,360	40,149	1,875,509	424,640	11,319	435,959	2,311,468
2032-2033	-	-	-	65,000	1,170	66,170	66,170
	<u>\$ 44,898,364</u>	<u>\$ 15,397,308</u>	<u>\$ 60,295,672</u>	<u>\$ 10,241,568</u>	<u>\$ 3,163,517</u>	<u>\$ 13,405,085</u>	<u>\$ 73,700,757</u>

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014 is as follows:

Governmental Activities	Balance July 01, 2013	Additions	Payments	Balance June 30, 2014
Bond Obligations	<u>\$ 57,853,639</u>	<u>\$ 415,000</u>	<u>\$ 3,128,707</u>	<u>\$ 55,139,932</u>

NOTE 17 PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the government fund activities have been decrease by \$887,142. The governmental funds had a balance at June 30, 2013 of \$18,116,243. The balance should have been \$17,229,101. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$887,142.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through October 29, 2014, which represents the release date of our report.

SUPPLEMENTARY INFORMATION

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Current:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 247,494	\$ 247,494
Accounts receivable	-	-	-	-	-
Total current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,494</u>	<u>\$ 247,494</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total current	-	-	-	-	-
Fund Balances:					
Restricted:					
Capital projects fund	-	-	-	-	-
Prior year encumbrances	-	-	-	-	-
Debt service fund	-	-	-	-	-
Assigned	-	-	-	247,494	247,494
Unrestricted	-	-	-	-	-
Total fund balances	-	-	-	247,494	247,494
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,494</u>	<u>\$ 247,494</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:					
Taxes	\$ -	\$ 3,489,538	\$ -	\$ -	\$ 3,489,538
Earnings on investments	-	-	-	-	-
State sources	445,807	-	-	1,044,855	1,490,662
Federal sources	-	-	-	-	-
Other sources	-	-	-	-	-
Total revenues	445,807	3,489,538	-	1,044,855	4,980,200
Expenditures					
Instructional	-	-	-	-	-
Student support services	-	-	-	-	-
Staff support services	-	-	-	-	-
District administration	-	-	-	-	-
School administration	-	-	-	-	-
Business support services	-	-	-	-	-
Plant operation and maintenance	-	-	47,726	-	47,726
Student transportation	-	-	-	-	-
Central office	-	-	-	-	-
Food service	-	-	-	-	-
Community service operations	-	-	-	-	-
Contract services	-	-	3,952	-	3,952
Facility acquisition and construction	-	-	120,855	-	120,855
Debt service:					
Principal	-	-	-	2,883,441	2,883,441
Interest	-	-	-	1,918,837	1,918,837
Total expenditures	-	-	172,533	4,802,278	4,974,811
Excess (deficit) of revenues over expenditures	445,807	3,489,538	(172,533)	(3,757,423)	5,389
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	-	-	172,533	4,004,917	4,177,450
Operating transfers out	(445,807)	(3,489,538)	-	-	(3,935,345)
Total other financing sources(uses)	(445,807)	(3,489,538)	172,533	4,004,917	242,105
Net change in fund balance	-	-	-	247,494	247,494
Fund balance, July 1, 2013	-	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ 247,494	\$ 247,494

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances Bond and Interest Redemption Funds
Year Ended June 30, 2014**

	<u>Issue of 2004</u>	<u>Issue of 2004 KISTA</u>	<u>Issue of 2004B</u>	<u>Issue of 2005 KISTA</u>	<u>Issue of 2006</u>	<u>Issue of 2006 KISTA</u>	<u>Issue of 2007 KISTA</u>	<u>Issue of 2008 KISTA</u>	<u>Issue of 2009 KISTA</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	294,690	35,901	808,813	39,085	854,220	50,426	52,310	56,776	41,934
Disbursements:									
Bonds paid	285,000	34,687	720,000	36,443	55,000	45,610	45,674	48,148	34,704
Interest coupons	9,690	1,214	88,813	2,642	799,220	4,816	6,636	8,628	7,230
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-
Total disbursements	294,690	35,901	808,813	39,085	854,220	50,426	52,310	56,776	41,934
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2014	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable									
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2009 - REF KISTA</u>	<u>Issue of 2010-REF</u>	<u>Issue of 2011</u>	<u>Issue of 2012</u>	<u>Issue of 2012-REF</u>	<u>Issue of 2013-REF</u>	<u>Issue of 2014</u>	<u>Total</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Transfers and miscellaneous deposits	27,299	84,526	943,981	84,912	391,034	1,312,803	-	5,078,710
Disbursements:								
Bonds paid	23,441	75,000	285,000	50,000	125,000	1,265,000	-	3,128,707
Interest coupons	3,858	9,526	658,981	34,912	266,034	47,803	-	1,950,003
Transfers and miscellaneous	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-
Total disbursements	27,299	84,526	943,981	84,912	391,034	1,312,803	-	5,078,710
Excess of receipts over disbursements	-	-	-	-	-	-	-	-
Cash at June 30, 2014	-	-	-	-	-	-	-	-
Accounts Receivable and Payable								
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Campbell County High School Activity Funds
Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Academic Team/Expenses	\$ 1,441	\$ 5,306	\$ 6,713	\$ 34
ACT Prep	1,917	-	1,769	148
Advanced Placement	9,274	60,197	57,742	11,729
Agriculture	1	5,481	787	4,695
Animal Rights Club	32	-	-	32
Art	98	8,174	7,211	1,061
Art Club	743	253	220	776
Astronomy	254	35	-	289
Athletic Advertising	-	1,200	525	675
Athletic Concessions	-	12,102	11,307	795
Athletic Hall of Fame	7,542	7,436	6,390	8,588
Athletic Project Fund	1,168	2,529	-	3,697
Athletics District Total	2,889	16,158	17,791	1,256
Athletics Merchandise	11	9,271	8,493	789
Athletics Regional Total	93	45,750	45,598	245
Band	-	5,129	4,920	209
Bank	-	6,648	6,627	21
Bank Equipment Fund	250	500	-	750
Baseball	9,968	23,761	27,362	6,367
Becky Griffith Memorial	3,420	71	507	2,984
Beta Club	961	1,369	1,305	1,025
BoardGame club	-	85	84	1
Book and Media Club	971	367	771	567
Book Fund	908	-	447	461
Bowling	7	3,666	2,787	886
Boys Basketball	2,715	33,233	31,192	4,756
Boys Golf	2,655	-	1,346	1,309
Boys Soccer	3,711	14,833	13,048	5,496
Business	3,666	7,200	8,430	2,436
Camel Café	328	2,065	1,700	693
Camel spirit scholarship	-	50	-	50
Camel Store	864	1,086	1,630	320
Campbell School	1,175	2,000	-	3,175
Carnes Memorial	21,413	-	1,000	20,413
CBI/Autism	99	1,154	1,189	64
CCHS Athletics	6,790	140,365	129,273	17,882
CCHS band of pride	25,679	164,150	161,733	28,096
CCHS Employees Sch	465	-	-	465
Charitable Gaming	-	2,984	2,984	-
Cheerleader	2,563	43,781	28,039	18,305
Chemistry Club	12	15	-	27
Chess Club	77	133	155	55
Choir Travel Account	70	-	-	70
Chorus	1,088	14,340	11,958	3,470
Close-up	1,717	-	-	1,717
Creative Writing Club	396	86	325	157
Credit Recovery	6,235	450	671	6,014

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Campbell County High School Activity Funds
Year Ended June 30, 2014
(Continued)**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Cross Country	\$ 7	\$ 489	\$ 108	\$ 388
Dance team	-	1,804	1,651	153
Dance/Homecoming	2,256	5,425	7,649	32
Dave Hollan scholarship	-	2,000	1,000	1,000
DECA	25	2,705	2,168	562
Donna Manker CD 5/3	5,503	-	-	5,503
Drama Club	2,666	39,777	31,719	10,724
Drama Fees	433	799	583	649
Drama Pontiac Winner	3,010	200	893	2,317
Drug-Free Club	3,491	-	517	2,974
FACS	1	4,224	3,763	462
FBLA	1,191	15,508	13,960	2,739
FCCLA	1,564	21,478	22,992	50
FFA	435	19,037	16,484	2,988
FFA Alumni	296	-	296	-
Film Club	166	5	82	89
Football	15,821	31,971	38,058	9,734
Ford Reward	295	-	295	-
French	145	392	220	317
Freshman Academy	910	1,200	1,737	373
Fun Bunch	13	1,340	1,108	245
Future Ed Association	5	20	-	25
Generation Believe	134	845	908	71
Girls Basketball	1,723	29,117	28,869	1,971
Girls Golf	235	-	103	132
Girls Soccer	189	7,065	4,951	2,303
Greenhouse	4,765	6,576	7,137	4,204
Greg rose memorial	-	3,038	-	3,038
Griffith Memorial	493	507	1,000	-
Guidance Dept	49	4,951	4,551	449
Guitar Club	147	-	-	147
Health and PE	499	1,983	2,071	411
Homecoming	2,010	770	879	1,901
Human Rights Club	3	676	631	48
Iles Memorial	38	-	-	38
Industrial Tech Fees	1,827	7,540	8,313	1,054
Jeff Harris Memorial	1,592	-	-	1,592
Kirchoff Memorial	2,205	-	-	2,205
Language Arts	963	5,977	4,934	2,006
Lee Lamb Scholarship	19	-	-	19
Library	554	1,651	1,883	322
Licking Valley Antique	500	500	-	1,000
Math	2,350	6,085	2,157	6,278
Math calculator	-	6,239	6,239	-
Math Club	31	21	-	52
Math Summer School	4,500	-	-	4,500

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Campbell County High School Activity Funds
Year Ended June 30, 2014
(Continued)**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Media	\$ 65	\$ 500	\$ 27	\$ 538
Meritro scholarship	-	2,000	2,000	-
Missy White CD 5	1,628	1	-	1,629
Missy White CD B	-	8,892	-	8,892
NFHS	-	400	238	162
NHS	2,859	1,165	1,256	2,768
Office	46,410	2,123	34,423	14,110
Pep Club	481	667	701	447
Photo Club	1,020	1,153	1,226	947
Principals Account	452	6,846	6,505	793
Profit/Water Machine	3,633	-	3,633	-
Project Graduation	2,808	11,791	13,157	1,442
Prom	-	27,348	25,918	1,430
Renaissance Student	1,157	-	-	1,157
Response to Intervene	803	-	486	317
Robert Ward CD	1,317	2	-	1,319
Ruby Gay Campbell	20,085	29	-	20,114
Sara Lee Academic	1,000	-	-	1,000
School Fees etc.	22,278	171,122	193,400	-
Science	1,639	15,787	10,404	7,022
Service Learning	500	-	-	500
Ski Club	116	4,741	4,857	-
Snowball Dance	1,609	17,090	18,699	-
Social Studies	3,567	3,817	2,407	4,977
Softball	8,737	9,251	7,875	10,113
Spanish Dance Club	366	70	191	245
Spanish Honor Society	261	4,387	3,366	1,282
Special Education	1,963	429	355	2,037
Staff Community	358	-	300	58
STLP	76	30	105	1
Student Council	6,860	1,960	351	8,469
Student Incentives	7,609	68,612	29,241	46,980
Swim	2,663	1,902	2,979	1,586
Tennis	673	6,033	5,129	1,577
Textbooks	72,886	45,886	23,155	95,617
Track	1,383	14,531	11,904	4,010
TSA/Robotics	-	10,344	9,796	548
Vocational Facs	307	8,859	7,021	2,145
Volleyball	1,665	11,690	9,981	3,374
VPA Vis & Perf Arts	20	2,000	1,842	178
White Memorial	-	9,892	9,892	-
World Language	375	3,960	3,149	1,186
Wrestling	6,861	7,826	7,294	7,393
Yearbook	16,158	5,043	9,881	11,320
Yearbook CD 5/3	12,658	-	12,658	-
Youth Alive	420	477	334	563
Youth Service Center	1,164	338	1,470	32
Total	\$ 447,641	\$ 1,364,322	\$ 1,301,544	\$ 510,421

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Year Ended June 30, 2014**

	<u>John W. Reily Elementary</u>	<u>Grant Lick Elementary</u>	<u>Donald E. Cline Elementary</u>	<u>Crossroads Elementary</u>
Fund balances at July 1, 2013	\$ 19,197	\$ 31,736	\$ 5,951	\$ 11,832
Add: receipts	63,412	78,004	58,043	79,897
Less: disbursements	<u>(70,378)</u>	<u>(76,122)</u>	<u>(59,331)</u>	<u>(77,730)</u>
Fund balances at June 30, 2014	<u>\$ 12,231</u>	<u>\$ 33,618</u>	<u>\$ 4,663</u>	<u>\$ 13,999</u>
	<u>Campbell Ridge Elementary</u>	<u>Campbell County Middle</u>	<u>Total</u>	
Fund balances at July 1, 2013	\$ 69,669	\$ 42,227	\$ 180,612	
Add: receipts	147,980	297,248	724,584	
Less: disbursements	<u>(179,520)</u>	<u>(277,933)</u>	<u>(741,014)</u>	
Fund balances at June 30, 2014	<u>\$ 38,129</u>	<u>\$ 61,542</u>	<u>\$ 164,182</u>	

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE June 30, 2014
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 13	\$ 386,677
Special Education_Grants to States	84.027	3810002 14	311,010
Special Education_Preschool Grants	84.173	3800002 13	9,238
Special Education_Preschool Grants	84.173	3800002 14	26
Total Special Education Cluster			<u>706,951</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 13	73,781
Title I Grants to Local Educational Agencies	84.010A	3100002 12	15,586
Title I Grants to Local Educational Agencies	84.010A	3100002 14	410,542
Title I Grants to Local Educational Agencies	84.010A	3100102 12	1,470
Title I Grants to Local Educational Agencies	84.010A	3100102 13	96,565
Title I Grants to Local Educational Agencies	84.010A	3100102 14	114
Title I State Agency Program for Neglected and Delinquent Children and Yout	84.013	3133	2,061
Title I State Agency Program for Neglected and Delinquent Children and Yout	84.013	3134	9,061
Career and technical Education -Basic Grants to States	84.048	3710002 13	1,511
Career and technical Education -Basic Grants to States	84.048	3710002 14	27,014
Fund for the Improvement of Education	84.215E	S215E120422 - 13	32,697
Fund for the Improvement of Education	84.215E	S215E130420	44,992
Title II Improving Teacher Quality State Grants	84.367	3230002 12	23,725
Title II Improving Teacher Quality State Grants	84.367	3230002 14	82,567
School Improvement Grants	84.377	3100202 12	2,071
Twenty-First Century Community Learning Centers	84.287C	3400002 12	<u>486,614</u>
Total U.S. Department of Education			1,310,371
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 14	941,778
School Breakfast Program	10.553	7760005 14	187,802
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	<u>173,638</u>
Total Child Nutrition Cluster			<u>1,303,218</u>
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 14	23,151
Child and Adult Care Food Program	10.558	7800016 14	1,548
State Administrative Expenses for Child Nutrition	10.560	7850012 12	<u>1,000</u>
Total U.S. Department of Agriculture			<u>1,328,917</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,346,239</u></u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Campbell County School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *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 Campbell County School 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 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$173,638.



**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**

To the Members of the Board of Education
Campbell County School District
101 Orchard Lane
Alexandria, Kentucky 41001

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Campbell County School District's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Campbell 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 Campbell County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Campbell County School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Campbell County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters that we reported to management of the Campbell County Board of Education in a separate letter dated October 29, 2014.

**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
(Continued)**

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.

Barnes, Danning & Co., Ltd.

Crestview Hills, Kentucky
October 29, 2014



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

Members of the Board of Education
Campbell County School District
101 Orchard Lane
Alexandria, Kentucky 41001

Report on Compliance for Each Major Federal Program

We have audited Campbell 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 Campbell County School District's major federal programs for the year ended June 30, 2014. Campbell 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Campbell 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*. 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 Campbell County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Campbell 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 Campbell 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 Campbell 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 Campbell County School District's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)**

Report on Internal Control over Compliance (Continued)

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.

Burner, Dunning & Co., Ltd.

Crestview Hills, Kentucky
October 29, 2014

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2014

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted
Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs

Table with 2 columns: ID, Name of Federal Program or Clusters. Rows include 84.027/84.173 Special Education Cluster (IDEA) and 84.287 Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2014**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

There were no prior year audit findings.

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

There were no prior year audit findings.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2014**

In planning and performing our audit of the financial statements of Campbell 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 financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 14, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 14, 2014, on the financial statements of the Campbell County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

2014-01: Failure to comply with compliance testing of the Child Nutrition Cluster

Criteria – Per OMB Circular A-133 Compliance Supplement for the Child Nutrition Cluster, the paid lunch equity requirement states that a school food authority (SFA) participating in the National School Lunch Program (NSLP) is required to ensure that sufficient funds are provided to its school food service accounts from lunches served to students not eligible for free or reduce price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. The difference is known as “equity.” There are two ways to meet this requirement: (A) by raising the prices charged for paid lunches; or (B) through contributions from other non-Federal sources.

Condition – During compliance testing of the Child Nutrition Cluster it was noted the District failed the required paid lunch equity requirement.

Effect – Sufficient funds were not provided to the District's school food service accounts from lunches served to students not eligible for free or reduced meals.

Cause – Appears to be an oversight by the school food service department.

Recommendation – We recommend the District transfer these funds from the General Fund to the School Food Service Fund to account for the calculated deficiency.

Board Response – We will transfer these funds from the General Fund to the School Food service Fund to account for the deficiency relating to school year 2013-14. Going forward, the District will ensure sufficient funds are provided to the District's food service account to meet the paid lunch equity requirement as a participant of the National School Lunch Program.

ACTIVITY FUNDS

CAMPBELL COUNTY HIGH SCHOOL

No matters are reportable

CAMPBELL COUNTY MIDDLE SCHOOL

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

CAMPBELL RIDGE ELEMENTARY

2014-02: Invoices not properly defaced

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to properly deface purchase orders so that duplicate checks are not written for the same purchase order.

Condition – During the testing of the Activity Funds, it was noted that all the invoices tested were not sufficiently marked as paid or properly defaced.

Effect – Proper documentation of the approval process was not properly followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all pages of the purchase order be marked paid or defaced in an additional manner. In addition, use the MUNIS software to help detect when duplicate checks are created for the same purchase order.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure invoices are marked paid or defaced in a proper manner.

CLINE ELEMENTARY

No matters are reportable

CROSSROADS ELEMENTARY

No matters are reportable

GRANT'S LICK ELEMENTARY

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

JOHN REILEY ELEMENTARY

2014-03: Invoices not properly defaced

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to properly deface purchase orders so that duplicate checks are not written for the same purchase order.

Condition – During the testing of the Activity Funds, it was noted that all the invoices tested were not sufficiently marked as paid or properly defaced.

Effect – Proper documentation of the approval process was not properly followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all pages of the purchase order be marked paid or defaced in an additional manner. In addition, use the MUNIS software to help detect when duplicate checks are created for the same purchase order.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure invoices are marked paid or defaced in a proper manner.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of prior year deficiency – During A-133 compliance testing of the Child Nutrition Cluster it was noted the District failed the required paid lunch equity requirement.

Current year follow-up – The same deficiency is in place in current year. See current year recommendations.

ACTIVITY FUNDS

CAMPBELL COUNTY HIGH SCHOOL

No matters are reportable

CAMPBELL COUNTY MIDDLE SCHOOL

No matters are reportable

CAMPBELL RIDGE ELEMENTARY

Statement of prior year deficiency – An instance was noted where a check was missing dual signatures.

Current year follow-up – There were no such instances noted in the current year

CLINE ELEMENTARY

No matters are reportable

CROSSROADS ELEMENTARY

No matters are reportable

GRANT'S LICK ELEMENTARY

No matters are reportable

JOHN REILEY ELEMENTARY

Statement of prior year deficiency: An instance was noted where a check was missing dual signatures.

Current year follow-up: There were no such instances noted in the current year