

CARTER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*. 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 Carter County School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 36 through 37 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 Carter County School District's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds 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.

These statements and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 12, 2015 on our consideration of the District's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Fyffe Jones Group, A.C.

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
January 12, 2015

**CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2014**

As management of the Carter 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 audit.

FINANCIAL HIGHLIGHTS

- The beginning net assets for unreserved Governmental Activities was \$1,767,546 ending the Fiscal Year on June 30, 2013.
- The ending net assets for Governmental Activities increased \$515,817 to a balance of \$2,283,363 ending the Fiscal Year on June 30, 2014.
- The district attributes the increase of unreserved net assets to sales of surplus assets in the amount of \$286,202 and an increase in operating revenues over expenditures during the 2014 year.
- The beginning district-wide net assets including capital assets and related long term debt was \$17,395,180, as restated, ending the Fiscal Year June 30, 2013.
- The ending district-wide net assets decreased \$661,812 to \$16,733,368 ending the Fiscal Year June 30, 2014.
- The decrease in district-wide net assets is due to depreciation of assets and bonded debt exceeding capital outlays.
- The fundable average daily attendance for the Fiscal Year ended June 30, 2013 was 4,175.
- The fundable average daily attendance decreased to 4,162 for the 2014 Fiscal Year.
- During the 2014 Fiscal Year Carter County Board of Education expended \$1,913,682 for capital projects that included; completion of 2 new Elementary Schools that were placed in service in August of 2013.

OVERVIEW OF FINANCIAL OF STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three basic components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report 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 position 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.

**CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2014**

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 position and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 8-9 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, 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 fund is 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 10-13 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 19-36 of this report.

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 \$16,733,368 million as of June 30, 2014.

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

**CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2014**

A comparison of June 30, 2014 and June 30, 2013 government wide net position is as follows:

Noncurrent Assets	<u>52,983,207</u>	<u>54,079,708</u>
Total Assets	<u>\$ 58,977,390</u>	<u>\$ 60,741,765</u>
Deferred Outflows of Resources	<u>\$ 193,422</u>	<u>\$ -</u>
Current Liabilities	<u>\$ 3,371,392</u>	<u>\$ 3,802,509</u>
Noncurrent Liabilities	<u>38,817,365</u>	<u>39,267,397</u>
Total Liabilities	<u>\$ 42,188,757</u>	<u>\$ 43,069,906</u>
Deferred Inflow of Resources	<u>\$ 248,687</u>	<u>\$ 276,679</u>
Total Net Position	<u>\$ 16,733,368</u>	<u>\$ 17,395,180</u>

Comments on Budget Comparisons

- The District's total revenue for the fiscal year ended June 30, 2014, net of Interfund transfers was \$47,333,522.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$174,780 more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$502,085 less than budget.
- General fund budget compared to actual other financing sources (uses) varied from line item to line item with the ending balance being \$288,117 more favorable than budget.
- The general fund net assets were \$964,982 more favorable than budget.

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
	<u>Amount</u>	<u>Amount</u>
Revenues:		
Taxes	\$ 5,906,958	\$ 5,681,378
State Aid-Formula Grants	28,418,497	28,641,983
Operating Grants	8,505,826	8,879,024
Capital Grants and Contributions	3,788,768	3,274,536
Charges for Services	157,054	190,310
Investment Earnings	20,538	65,206
Other	536,881	592,203
Total revenues	<u>\$ 47,334,522</u>	<u>\$ 47,324,640</u>

**CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>
Expenses:		
Instruction	25,237,592	25,897,862
Student Support Services	1,765,899	1,969,403
Staff Support	1,513,392	1,052,880
District Administration	601,513	603,459
School Administration	2,346,066	2,095,486
Business Support	726,041	832,021
Plant Operations	7,588,609	7,482,010
Student Transportation	3,344,740	3,500,530
Food Service Operations	2,723,379	2,750,929
Community Support	413,589	433,749
Facility Acquisition and Construction	-	668,189
Interest on Long Term Debt	1,647,900	874,263
Other	87,614	41,684
Total expenses	<u>47,996,334</u>	<u>48,202,465</u>
 Revenue over (under) expenses	 <u>\$ (661,812)</u>	 <u>\$ (877,825)</u>

Revenue

The majority of revenue was derived from state-aid formula grants funding **(60%)** with local taxes making up 12% of total revenue.

School Allocation

Regular Instruction accounts 53% for of the school level expenditures.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with 1.7% in contingency in the current 2014 school year. Significant Board action that impacts the finances includes 2% increase for certified and classified salary schedules.

Questions regarding this report should be directed to the Superintendent, Ronnie Dotson, (606) 474-6696, or to Jerry A. Lyons, Business Office Manager, (606) 474-6696, or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143.

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
<u>Current Assets</u>			
Cash and equivalents	\$ 3,348,536	\$ 601,695	\$ 3,950,231
Investments held for the retirement of debt	657,240	-	657,240
Accounts receivable:			
Taxes	195,798	-	195,798
Other	78,866	-	78,866
Fiduciary	879,086	-	879,086
Prepaid expense	180,654	-	180,654
Inventories	-	52,308	52,308
Total Current Assets	<u>5,340,180</u>	<u>654,003</u>	<u>5,994,183</u>
<u>Noncurrent Assets</u>			
Nondepreciated capital assets:			
Land	1,683,811	-	1,683,811
Depreciated capital assets			
Land improvements	248,262	-	248,262
Buildings and improvements	68,654,705	-	68,654,705
Furniture and equipment	7,314,883	821,712	8,136,595
Less: accumulated depreciation	<u>(25,158,931)</u>	<u>(581,235)</u>	<u>(25,740,166)</u>
Total Noncurrent Assets	<u>52,742,730</u>	<u>240,477</u>	<u>52,983,207</u>
Total Assets	<u>\$ 58,082,910</u>	<u>\$ 894,480</u>	<u>\$ 58,977,390</u>
Deferred Outflows of Resources:			
Deferred Outflows from Advanced Refunding	<u>193,422</u>	<u>-</u>	<u>193,422</u>
LIABILITIES			
<u>Current Liabilities</u>			
Accounts payable	\$ 493,175	\$ 5,997	\$ 499,172
Unamortized bond premium	95,924	-	95,924
Accrued payroll and related expenses	251,864	-	251,864
Deferred revenues	155,414	-	155,414
Interest payable	293,809	-	293,809
KSBIT	55,517	-	55,517
Current portion of bond obligations	1,830,000	-	1,830,000
Current portion of accrued sick leave	<u>189,692</u>	<u>-</u>	<u>189,692</u>
Total Current Liabilities	<u>3,365,395</u>	<u>5,997</u>	<u>3,371,392</u>
<u>Noncurrent Liabilities</u>			
KSBIT assessment	122,097	-	122,097
Noncurrent portion of bond obligations	37,215,000	-	37,215,000
Noncurrent portion of accrued sick leave	<u>1,480,268</u>	<u>-</u>	<u>1,480,268</u>
Total Noncurrent Liabilities	<u>38,817,365</u>	<u>-</u>	<u>38,817,365</u>
Total Liabilities	<u>\$ 42,182,760</u>	<u>\$ 5,997</u>	<u>\$ 42,188,757</u>
Deferred Inflows of Resources:			
Deferred Gain on Refunding of Debt	<u>248,687</u>	<u>-</u>	<u>248,687</u>
NET POSITION			
Invested in capital assets, net of related debt	12,261,650	240,477	12,502,127
Restricted for:			
Non-spendable prepaids	180,654	-	180,654
Future construction	1,299,872	-	1,299,872
Non-spendable inventories	-	52,308	52,308
Unrestricted	<u>2,102,709</u>	<u>595,698</u>	<u>2,698,407</u>
Total Net Position	<u>\$ 15,844,885</u>	<u>\$ 888,483</u>	<u>\$ 16,733,368</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Program Revenue			Net (Expense) Revenue 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	\$ 25,237,592	\$ 4,938,269	\$ 66,792	\$ (20,222,309)	\$ -	\$ (20,222,309)
Student support services	1,765,899	202,780	50,000	(1,513,119)	-	(1,513,119)
Staff support services	1,513,392	104,492	-	(1,408,900)	-	(1,408,900)
District administration	601,513	-	-	(601,513)	-	(601,513)
School administration	2,346,066	-	-	(2,346,066)	-	(2,346,066)
Business support services	726,041	22,278	-	(703,763)	-	(703,763)
Plant operation and maintenance	7,588,609	75,080	105,669	(7,407,860)	-	(7,407,860)
Student transportation	3,344,740	24,564	365,125	(2,955,051)	-	(2,955,051)
Food services	1,093	-	-	(1,093)	-	(1,093)
Community service operations	413,589	412,597	-	(992)	-	(992)
Facility acquisition and construction	-	-	3,201,182	3,201,182	-	3,201,182
Interest on long-term debt	1,647,900	-	-	(1,647,900)	-	(1,647,900)
Amortization bond issue cost	-	-	-	-	-	-
Total governmental activities	45,186,434	5,780,060	3,788,768	(35,607,384)	-	(35,607,384)
Business-type activities:						
Food Service	2,722,286	2,725,766	-	-	150,312	150,312
Total business-type activities	2,722,286	2,725,766	-	-	150,312	150,312
Total primary government	\$ 47,908,720	\$ 8,505,826	\$ 3,788,768	(35,607,384)	150,312	(35,457,072)
General revenues:						
Taxes				5,906,958	-	5,906,958
State grants				28,418,497	-	28,418,497
Investment earnings				19,874	664	20,538
Miscellaneous				250,679	-	250,679
Gain on disposal of assets				286,202	-	286,202
Extraordinary items:						
KSBIT				(87,614)	-	(87,614)
Total general revenues, extraordinary items, and transf				34,794,596	664	34,795,260
Change in net position				(812,788)	150,976	(661,812)
Net position - beginning of year				17,535,498	737,507	18,273,005
Prior period adjustment				(877,825)	-	(877,825)
Reinstated net position-beginning of year				16,657,673	737,507	17,395,180
Net position - ending				15,844,885	888,483	\$ 16,733,368

The accompanying notes to the financial statements are an integral part of this statement.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,591,706	\$ (588,140)	\$ 1,022,722	\$ 322,248	\$ 3,348,536
Investments	-	-	-	657,240	657,240
Accounts receivable					
Taxes	195,798	-	-	-	195,798
Accounts	96,207	861,745	-	-	957,952
Prepaid expense	180,654	-	-	-	180,654
Total assets	<u>\$ 3,064,365</u>	<u>\$ 273,605</u>	<u>\$ 1,022,722</u>	<u>\$ 979,488</u>	<u>\$ 5,340,180</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 339,446	\$ 118,191	\$ 35,538	\$ -	\$ 493,175
Accrued payroll and related expense	251,864	-	-	-	251,864
Interfund payable	-	-	-	-	-
Deferred revenue	-	155,414	-	-	155,414
Sick leave payable	189,692	-	-	-	189,692
Total liabilities	<u>781,002</u>	<u>273,605</u>	<u>35,538</u>	<u>-</u>	<u>1,090,145</u>
 Restricted for:					
Capital projects	-	-	987,184	312,687	1,299,871
Debt Service	-	-	-	9,561	9,561
Other purposes	-	-	-	657,240	657,240
Unassigned	2,283,363	-	-	-	2,283,363
Total fund balances	<u>2,283,363</u>	<u>-</u>	<u>987,184</u>	<u>979,488</u>	<u>4,250,035</u>
Total liabilities and fund balances	<u>\$ 3,064,365</u>	<u>\$ 273,605</u>	<u>\$ 1,022,722</u>	<u>\$ 979,488</u>	<u>\$ 5,340,180</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

Total fund balance, governmental funds \$ 4,250,035

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Investments held for future bond maturity	-
Cost of capital assets	77,901,661
Accumulated depreciation	(25,158,931)
Deferred outflows from advanced refunding	193,422

Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Deferred gain on refunding debt	(248,687)
Bonds payable	(39,045,000)
Accrued interest on bonds	(293,809)
Unamortized bond premiums	(95,924)
KSBIT	(177,614)
Accrued sick leave	(1,480,268)
	(1,480,268)

Net Position of Governmental Activities \$ 15,844,885

The accompanying notes to the financial statements are an integral part of this statement.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 4,958,673	\$ -	\$ -	\$ 948,290	\$ 5,906,963
Earnings on investments	5,315	-	-	14,559	19,874
Intergovernmental - state	28,418,497	1,661,546	221,088	3,212,024	33,513,155
Intergovernmental - federal	232,717	4,109,294	-	355,656	4,697,667
Other sources	28,179	9,220	-	-	37,399
Total revenues	<u>33,643,381</u>	<u>5,780,060</u>	<u>221,088</u>	<u>4,530,529</u>	<u>44,175,058</u>
EXPENDITURES					
Instruction	20,127,586	5,005,061	-	-	25,132,647
Student support services	1,563,119	202,780	-	-	1,765,899
Staff support services	1,232,007	104,492	-	-	1,336,499
District administration	601,513	-	-	-	601,513
School administration	2,345,345	-	-	-	2,345,345
Business support services	703,763	22,278	-	-	726,041
Plant operation and maintenance	4,161,081	75,080	-	-	4,236,161
Student transportation	3,320,182	24,564	-	-	3,344,746
Food services	1,093	-	-	-	1,093
Community service operations	992	412,597	-	-	413,589
Facilities acquisition and construction	-	-	2,625,716	-	2,625,716
Debt service:					
Principal	-	-	-	1,750,000	1,750,000
Interest	-	-	-	1,533,105	1,533,105
Total Expenditures	<u>34,056,681</u>	<u>5,846,852</u>	<u>2,625,716</u>	<u>3,283,105</u>	<u>45,812,354</u>
Excess (deficiency) of revenues over	<u>(413,300)</u>	<u>(66,792)</u>	<u>(2,404,628)</u>	<u>1,247,424</u>	<u>(1,637,296)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	709,707	66,792	15,000	2,529,179	3,320,678
Transfers out	(66,792)	-	-	(3,131,311)	(3,198,103)
Proceeds from sale of bonds	-	-	655,000	-	655,000
Proceeds from sale of equipment	286,202	-	-	-	286,202
Total other financing sources and uses	<u>929,117</u>	<u>66,792</u>	<u>670,000</u>	<u>(602,132)</u>	<u>1,063,777</u>
Net change in fund balances	515,817	-	(1,734,628)	645,292	(573,519)
Fund balances - beginning	1,767,546	-	2,721,812	9,605	4,498,963
Prior period adjustment	-	-	-	324,591	324,591
Restated fund balance-beginning	1,767,546	-	2,721,812	334,196	4,823,554
Fund balances - ending	<u>\$ 2,283,363</u>	<u>\$ -</u>	<u>\$ 987,184</u>	<u>\$ 979,488</u>	<u>\$ 4,250,035</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

Net change in fund balances - total governmental funds: \$ (573,519)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of 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. (1,058,873)

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

Interest payable	1,653
Sick leave payable	(94,268)
KSBIT payable	(87,614)

Difference between the reacquisition price and the net carrying amount of the old debt is reported as Deferred Outflows/Deferred Inflows of Resources.

Advanced refunding paid	(128,502)
Deferred inflows recognized	27,992

Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortized bond premium	5,343
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Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position. 1,750,000

Bond proceeds receivable are reported in the governmental funds as financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.

Bonds payable	(655,000)
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Change in net position of governmental activities	\$ (812,788)
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The accompanying notes to the financial statements are an integral part of this statement

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

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 601,695
Inventories	52,308
Total current assets	<u>654,003</u>
Noncurrent assets:	
Capital Assets	821,712
Less Accumulated depreciation	<u>(581,235)</u>
Total non-current assets	<u>240,477</u>
Total assets	<u><u>\$ 894,480</u></u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	<u>\$ 5,997</u>
Total current liabilities	<u>5,997</u>
Total liabilities	<u>5,997</u>
 NET POSITION	
Invested in capital assets, net of related debt	240,477
Unrestricted	<u>648,006</u>
Total net position	<u><u>\$ 888,483</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
REVENUES	
Lunchroom sales	\$ 146,532
Total operating revenues	<u>146,532</u>
OPERATING EXPENSES	
Salaries and wages	1,293,555
Contractual services	42,596
Materials and supplies	1,223,250
Other operating expenses	2,682
Depreciation	37,628
Total Operating Expenses	<u>2,599,711</u>
Operating income (loss)	<u>(2,453,179)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	664
State grants	303,679
Federal grants	2,245,902
Donated commodities	176,185
Gain on disposal of asset	300
Total non-operating revenue (expenses)	<u>2,726,730</u>
Income (loss) before contributions and transfers	273,551
Transfers in	-
Transfers out	(122,575)
Change in net position	<u>150,976</u>
Net position - beginning of year, as previously reported	737,507
Net position - ending	<u>\$ 888,483</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Fund</u> <u>Food Service</u> <u>Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from:	
Lunchroom sales	\$ 146,532
Cash paid to/for:	
Employees	(1,293,555)
Supplies	(1,221,173)
Other activities	(45,278)
Net cash used in operating activities	<u>(2,413,474)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of equipment	<u>300</u>
Net cash provided by capital and related financing activities	300
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Government grants	2,725,766
Transfers in	-
Transfers out	(122,575)
Net cash provided by non-capital financing activities	<u>2,603,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>664</u>
Net cash provided by investing activities	<u>664</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	190,681
Balance, beginning of year	<u>411,014</u>
Balance, end of year	<u><u>\$ 601,695</u></u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities	
Operating income	\$ 150,976
Adjustments to reconcile operating income (loss) to cash used for operating activities:	
Depreciation	37,628
Changes in assets and liabilities:	
Inventories	3,510
Accounts payable	(1,433)
Net cash used in operating activities	<u><u>\$ 190,681</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 178,472	\$ 359,958
Account receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 178,472</u>	<u>\$ 359,958</u>
LIABILITIES		
Due to student groups	\$ -	\$ 582
Total liabilities	<u>-</u>	<u>582</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 178,472</u>	<u>\$ 359,376</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Fees and collections	\$ -
Transfers in	-
Total other additions	-
Total additions	-
 DEDUCTIONS	
Scholarships	3,158
Transfers out	5,270
Total deductions	8,428
Change in net assets	(8,428)
Net position - beginning	186,900
Net position - ending	\$ 178,472

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – REPORTING ENTITY

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

The financial statements of the Board 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 is included in the accompanying financial statements:

Carter County School District Finance Corporation - On August 14, 1989, the Carter County, Kentucky, Board of Education resolved to authorize the establishment of the Carter County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carter County Board of Education also comprise the Corporation’s Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Carter County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

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

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the 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. This is a major fund of the District.

- C. Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- D. 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.
- E. 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.
- F. The Construction Fund includes Capital Projects 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.
- G. Debt Service Funds are used to account for the accumulation of resources for, and 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. This is a major fund of the District.

II. Proprietary Fund Type (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.

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

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

III. Fiduciary Fund Type (includes agency and private purpose trust funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

Non-exchange 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, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource 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 non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred 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 deferred revenue.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 the governmental funds.

Property 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.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$0.4650 per \$100 valuation for real property, \$0.4650 per \$100 valuation for business personal property, and \$0.47 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

In-kind

Local contributions, which include contributed services provided by individuals, private Districts and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

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.

**CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used. On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. The food service fund uses the specific identification method.

Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received 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 School District's past experience of making termination payments.

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

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). 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).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Accrued Liabilities and Long-Term Obligations

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

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

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, all 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.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Position

Net position represent the difference between assets and liabilities. Net assets 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 fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Contributions of Capital

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

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

Deferred Outflow of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount are as follows:

For the fiscal year ended June 30, 2014, the District reported \$193,422 in deferred outflows of resources relating to advanced refunding of debt.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount are as follows:

For the fiscal year ended June 30, 2014, the District reported \$248,688 in deferred inflows of resources relating to the deferred gain on the refunding of debt.

Change in Accounting Policy

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 63 – As of July 1, 2012, the Board implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement changed the name of the district-wide statement formerly known as the Statement of Net Assets to the Statement of Net Position. It also added new categories of Deferred Outflows of Resources and Deferred Inflows of Resources to the district-wide Statement of Net Position and the governmental fund Balance Sheet.

GASB 65 – As of July 1, 2012, the Board implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”. Upon implementation, this statement reclassified some items currently reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

Recently Issued Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2014, the carrying amount of the District's cash and cash equivalents was \$3,940,669 and the bank balances were \$7,064,282. The cash balance was covered by Federal Depository insurance and by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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
Non-Depreciable Assets:				
Land	\$ 1,689,724	\$ -	\$ 5,913	\$ 1,683,811
Construction in process	-	-	-	-
Depreciable Assets:				
Land improvements	248,262	-	-	248,262
Buildings and improvements	68,619,711	1,436,604	1,401,610	68,654,705
Technology equipment	1,117,254	-	-	1,117,254
Machinery and equipment	187,755	58,000	-	245,755
Vehicles	5,965,152	419,079	432,357	5,951,874
Totals at historical cost	<u>77,827,858</u>	<u>1,913,683</u>	<u>1,839,880</u>	<u>77,901,661</u>
Less: accumulated depreciation				
Land	-	-	-	-
Land improvements	173,498	10,080	-	183,578
Buildings and improvements	19,036,594	2,032,273	1,110,631	19,958,236
Technology equipment	796,300	169,100	-	965,400
Machinery and equipment	108,415	18,885	-	127,300
Vehicles	3,911,448	442,827	429,858	3,924,417
Total accumulated depreciation	<u>24,026,255</u>	<u>2,673,165</u>	<u>1,540,489</u>	<u>25,158,931</u>
Government Activities				
Capital Assets-Net	<u>\$ 53,801,603</u>	<u>\$ (759,482)</u>	<u>\$ 299,391</u>	<u>\$ 52,742,730</u>
<u>Business-Type Activities</u>				
<u>Depreciable Assets:</u>				
Food service equipment	\$ 821,712	\$ -	\$ -	\$ 821,712
Less: accumulated depreciation				
Food service equipment	<u>543,607</u>	<u>37,628</u>	<u>-</u>	<u>581,235</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 278,105</u>	<u>\$ (37,628)</u>	<u>\$ -</u>	<u>\$ 240,477</u>

Depreciation expense was allocated to governmental functions as follows:

Instructional	\$ 104,945
Staff support services	82,626
School administration	721
Plant operation and maintenance	2,068,299
Student transportation	416,574
	<u>\$2,673,165</u>

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 – DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$39,045,000.

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Rates</u>
2005	\$ 260,000	3.75%
2006	5,480,000	3.55%
2008	365,000	2.95%
2009	4,415,000	3.00%
2011	11,370,000	2.00%
2011	7,665,000	5.00%
2011	1,675,000	2.00%
2012	3,390,000	1.00%
2013	3,770,000	2.00%
2014	655,000	4.00%
	<u>\$ 39,045,000</u>	

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

A summary of long-term debt and other long-term liabilities is as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue Bonds	\$ 40,140,000	\$ 655,000	\$ 1,750,000	\$ 39,045,000	\$ 1,830,000
Accrued Sick Leave	1,568,840	195,388	94,268	1,669,960	189,692
KSBIT Assessment	90,000	175,228	87,614	177,614	55,517
Total	<u>\$ 41,798,840</u>	<u>\$ 1,025,616</u>	<u>\$ 1,931,882</u>	<u>\$ 40,892,574</u>	<u>\$ 2,075,209</u>

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Year	CARTER COUNTY SCHOOL DISTRICT		CONSTRUCTION COMMISSION		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,329,206	\$ 1,240,356	\$ 500,794	\$ 263,884	\$ 1,830,000	\$ 1,504,240
2016	1,369,828	1,202,706	515,172	248,984	1,885,000	1,451,690
2017	1,407,241	1,162,326	522,759	232,535	1,930,000	1,394,861
2018	1,455,957	1,118,456	539,043	214,595	1,995,000	1,333,051
2019	1,498,460	1,072,674	556,540	196,097	2,055,000	1,268,771
2020	1,453,351	1,020,421	331,649	175,950	1,785,000	1,196,371
2021	1,497,357	976,890	347,643	163,946	1,845,000	1,140,836
2022	1,544,879	928,716	360,121	150,265	1,905,000	1,078,981
2023	1,591,674	877,984	373,326	135,860	1,965,000	1,013,844
2024	1,637,940	824,899	387,060	120,927	2,025,000	945,826
2025	1,698,422	768,940	401,578	105,209	2,100,000	874,149
2026	1,758,068	709,484	421,932	88,655	2,180,000	798,139
2027	1,067,717	651,472	257,283	70,754	1,325,000	722,226
2028	1,115,775	607,997	259,225	59,073	1,375,000	667,070
2029	1,160,124	561,236	274,876	47,022	1,435,000	608,258
Thereafter	10,694,427	794,053	715,573	64,027	11,410,000	858,080
	<u>\$ 32,280,426</u>	<u>\$ 14,518,610</u>	<u>\$ 6,764,574</u>	<u>\$ 2,337,783</u>	<u>\$ 39,045,000</u>	<u>\$ 16,856,393</u>

On February 6, 2014, the District issued \$655,000 in 2014 Series Revenue Bonds with an average interest rate of 4.00 percent. The net proceeds of \$633,720 (after \$21,280 in cost of issuance) was deposited in the Construction Fund.

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the prior year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment was required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability was estimated to be \$265,228.

**CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2014, consisted of the following:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Deficit	\$ 66,792
Operating	Capital Outlay	General Fund	Operating	\$ 417,000
Operating	Capital Outlay	Debt Service	Operating	\$ 454
Operating	Building Fund	General Fund	Debt Service	\$ 170,132
Operating	Building Fund	Construction Fund	Debt Service	\$ 15,000
Operating	Building Fund	Debt Service	Debt Service	\$ 2,528,724
Operating	Food Service	General Fund	Debt Service	\$ 122,575

NOTE 7 - RETIREMENT PLANS

Kentucky Teachers Retirement System:

Plan Descriptions – The Carter County 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 of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes statements and the required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Rd., Frankfort, Kentucky 40601.

Funding for KTRS is provided by eligible employees who contribute 11.355% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 14.605% . The contribution requirements of KTRS members and the District are established and may be amended by Kentucky Revised Statutes and the KTRS Board of Trustees. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

For the years ended June 30, 2014, 2013, and 2012, the Commonwealth of Kentucky contributed \$2,196,214, \$2,218,216, and \$2,368,860, respectively to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ended June 30, 2014, 2013, and 2012 were \$582,615, 535,607, and \$437,204, respectively.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Employee's Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly.

Funding for the plan is provided through payroll withholdings of 5.000% and a district contribution of 18.89% of the employee's total compensation subject to contribution. Members who were hired after September 1, 2008 are required to contribute 6.000% of their salaries to CERS. The District's contributions to CERS for the years ending June 30, 2014, 2013, and 2012 were \$1,086,517, 1,127,155, and \$855,748, , respectively, equal to the required contributions for the year.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Rd., Frankfort, Kentucky, 40601, or by calling (502)564-4646.

NOTE 8 – CONTINGENCIES AND COMMITMENTS

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 grantors 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 Districts grant program is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has outstanding construction commitments of approximately \$340,671 at June 30, 2014. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium, In some cases, modifiers may also be added,

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

based on eligibility, which may increase or decrease the premium. In other cases, additional coverages may be requested that increase the premium.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – COBRA

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

NOTE 11- ON-BEHALF PAYMENTS

For fiscal year 2014, the Commonwealth of Kentucky contributed payments on behalf of the Carter County School District as follows:

Plan/Description	Amount
Kentucky Teachers Retirement System	\$ 2,196,214
Health and Life Insurance Plans	4,904,928
Technology	61,577
Debt Service	716,316
Total	\$ 7,879,035

NOTE 12- DEFICIT OPERATING BALANCES

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

Construction Fund	\$ 1,734,628
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NOTE 13- LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

NOTE 14- ENCUMBRANCES

The District did not have any encumbrances as of June 30, 2014.

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15- EXTRAORDINARY ITEM

As more fully described in NOTE- 9, the Board recognized an extraordinary item during the 2012-2013 relating to self-insurance pools for worker's compensation liabilities, property liabilities, and general liabilities.

NOTE 16- SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 12, 2015. There are no other material subsequent events to disclose.

NOTE 17- PRIOR PERIOD ADJUSTMENT

Governmental Accounting Standards Board No. 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was decreased \$601,146 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements. Further, beginning net position of the governmental activities decreased 276,679 due to deferred gain from advanced refunding charged against bond payable prior to the 2013-2014 fiscal year.

In addition, the beginning Debt Service Fund Balance was restated due to an adjustment in the recording of the 2013 Bond Issue. The 2013 issued bond is a QSCB bond that requires payments to an escrow fund that will draw interest and retire the bond December 1, 2031. During 2013, the QSCB Bond Sinking Account was expensed as principal payments. The Debt Service Fund increased \$324,591, which is the cash balance of the QSCB bond account.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original/Draft</u>	<u>Final/Working</u>		<u>Final Budget</u>
REVENUES				<u>favorable/ (unfavorable)</u>
Taxes:				
Taxes	\$ 4,980,000	\$ 4,819,180	\$ 4,958,673	\$ 139,493
Earnings on investments	24,000	24,000	5,315	(18,685)
Other local sources	-	-	-	
Intergovernmental - state	21,415,707	28,299,921	28,418,497	118,576
Intergovernmental - indirect federal	240,000	285,000	232,717	(52,283)
Intergovernmental - federal	-	-	-	-
Charges for services	-	-	-	-
Other sources	40,500	40,500	28,179	(12,321)
Miscellaneous	-	-	-	
Total revenues	<u>26,700,207</u>	<u>33,468,601</u>	<u>33,643,381</u>	<u>174,780</u>
EXPENDITURES				
Current:				
Instruction	15,853,933	20,516,162	20,127,586	388,576
Student support services	1,311,823	1,641,537	1,563,119	78,418
Staff support services	1,020,092	1,243,903	1,232,007	11,896
District administration	536,260	582,823	601,513	(18,690)
School administration	1,711,841	2,160,147	2,345,345	(185,198)
Business support services	562,947	693,575	703,763	(10,188)
Plant operation and maintenance	3,601,576	4,123,031	4,161,081	(38,050)
Student transportation	3,211,611	3,595,448	3,320,182	275,266
Food services	1,800	2,051	1,093	958
Community service operations	-	89	992	(903)
Total Expenditures	<u>27,811,883</u>	<u>34,558,766</u>	<u>34,056,681</u>	<u>502,085</u>
Excess (deficiency) of revenues over expenditures	(1,111,676)	(1,090,165)	(413,300)	676,865
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	
Proceeds from sale of assets	-	-	286,202	286,202
Transfers in	733,000	721,000	709,707	(11,293)
Transfers out	(100,000)	(80,000)	(66,792)	13,208
Total other financing sources and uses	<u>633,000</u>	<u>641,000</u>	<u>929,117</u>	<u>288,117</u>
Net change in fund balances	(478,676)	(449,165)	515,817	964,982
Fund balances - beginning	1,090,000	1,767,546	1,767,546	
Fund balances - ending	<u>\$ 611,324</u>	<u>\$ 1,318,381</u>	<u>\$ 2,283,363</u>	<u>\$ 964,982</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	1,350,470	1,647,453	1,661,546	14,093
Intergovernmental - federal	3,065,955	3,172,150	4,109,294	937,144
Other sources	-	-	9,220	9,220
Total revenues	<u>4,416,425</u>	<u>4,819,603</u>	<u>5,780,060</u>	<u>960,457</u>
EXPENDITURES				
Current:				
Instruction	3,782,224	4,347,422	5,005,061	(657,639)
Student support services	-	-	202,780	(202,780)
Staff support services	181,395	21,392	104,492	(83,100)
District administration	-	-	-	-
School administration	-	-	-	-
Business support services	20,000	20,000	22,278	(2,278)
Plant operation and maintenance	70,862	68,845	75,080	(6,235)
Student transportation	15,906	15,906	24,564	(8,658)
Food services	-	-	-	-
Community service operations	426,038	426,038	412,597	13,441
Facilities acquisition and construction	-	-	-	-
Total Expenditures	<u>4,496,425</u>	<u>4,899,603</u>	<u>5,846,852</u>	<u>(947,249)</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>(66,792)</u>	<u>13,208</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	80,000	80,000	66,792	(13,208)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>80,000</u>	<u>80,000</u>	<u>66,792</u>	<u>(13,208)</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non- Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 312,687	\$ 9,561	\$ 322,248
Investments	-	-	657,240	657,240
Accounts receivable				
Taxes	-	-	-	-
Intergovernmental - state	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ -	\$ 312,687	\$ 666,801	\$ 979,488
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Accrued payroll and related expenses	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-
Total liabilities	-	-	-	-
 Restricted for:				
Capital projects	-	312,687	-	312,687
Debt Service	-	-	9,561	9,561
Inventories	-	-	-	-
Other purposes	-	-	657,240	657,240
Total fund balances	-	312,687	666,801	979,488
Total liabilities and fund balances	\$ -	\$ 312,687	\$ 666,801	\$ 979,488

The accompanying notes to the financial statements are an integral part of this statement.

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Capital Outlay	Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES				
From local sources				
Taxes	\$ -	\$ 948,290	\$ -	\$ 948,290
Earnings on investments	-	-	14,559	14,559
Intergovernmental - state	417,454	2,078,254	716,316	3,212,024
Intergovernmental - federal	-	-	355,656	355,656
Other sources	-	-	-	-
Total revenues	<u>417,454</u>	<u>3,026,544</u>	<u>1,086,531</u>	<u>4,530,529</u>
EXPENDITURES				
Plant operation and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	-	-	1,750,000	1,750,000
Interest	-	-	1,533,105	1,533,105
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,283,105</u>	<u>3,283,105</u>
Excess (deficiency) of revenues over expenditures	<u>417,454</u>	<u>3,026,544</u>	<u>(2,196,574)</u>	<u>1,247,424</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	-	-	-	-
Transfers in	-	-	2,529,179	2,529,179
Transfers out	(417,454)	(2,713,857)	-	(3,131,311)
Total other financing sources and uses	<u>(417,454)</u>	<u>(2,713,857)</u>	<u>2,529,179</u>	<u>(602,132)</u>
Net change in fund balances	-	312,687	332,605	645,292
Fund balances - beginning	-	-	9,605	9,605
Prior period adjustment	-	-	324,591	324,591
Restated fund balance-beginning	<u>-</u>	<u>-</u>	<u>334,196</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 312,687</u>	<u>\$ 666,801</u>	<u>\$ 979,488</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY AND TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Cash Balances July 1, 2013	Receipts	Disbursements	Transfers	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014	Deposits Held in Custody for Students June 30, 2014
ACTIVITY FUNDS:									
East Carter High School	\$ 42,676	\$ 275,122	\$ 252,670	\$ -	\$ 65,128	\$ -	\$ -	\$ -	\$ 65,128
West Carter High School	48,973	232,606	218,189	-	63,390	-	-	-	63,390
Carter Elementary School	4,459	33,135	35,144	-	2,450	-	-	-	2,450
Carter County Career Technical School	21,548	26,772	26,250	-	22,070	-	-	-	22,070
Heritage Elementary School	12,264	56,475	53,643	-	15,096	-	319	-	15,415
Olive Hill Elementary School	30,816	101,556	83,898	-	48,474	-	-	-	48,474
Prichard Elementary School	34,843	47,122	47,321	-	34,644	-	-	-	34,644
Star Elementary School	3,415	13,802	11,332	-	5,885	-	-	-	5,885
Upper Tygart Elementary School	18,417	53,738	49,735	-	22,420	-	263	-	22,683
East Middle School	54,755	123,509	125,156	-	53,108	-	-	-	53,108
West Middle School	34,118	95,114	107,209	5,270	27,293	-	-	-	27,293
	<u>306,284</u>	<u>1,058,951</u>	<u>1,010,547</u>	<u>5,270</u>	<u>359,958</u>	<u>-</u>	<u>582</u>	<u>-</u>	<u>360,540</u>
TRUST FUNDS:									
McDavid Hicks Scholarship	16,742	-	1,000	-	15,742	-	-	15,742	-
Hamilton Mem. Scholarship	122,171	-	-	-	122,171	-	-	122,171	-
McKenzie Mem. Scholarship	6,428	-	1,158	(5,270)	-	-	-	-	-
Samantha Holbrook Mem. Fund	182	-	-	-	182	-	-	182	-
Thompson K. Bonzo Estate	10,930	-	-	-	10,930	-	-	10,930	-
John "Hop" Brown Scholarship	27,998	-	1,000	-	26,998	-	-	26,998	-
Bill Ticknor Mem. Camp	2,360	-	-	-	2,360	-	-	2,360	-
Peggy Owens Mem. Fund	18	-	-	-	18	-	-	18	-
Sandy Clayton Mem. Fund	71	-	-	-	71	-	-	71	-
	<u>186,900</u>	<u>-</u>	<u>3,158</u>	<u>(5,270)</u>	<u>178,472</u>	<u>-</u>	<u>-</u>	<u>178,472</u>	<u>-</u>
TOTAL SCHOOL ACTIVITY AND TRUST FUNDS	<u>\$ 493,184</u>	<u>\$ 1,058,951</u>	<u>\$ 1,013,705</u>	<u>\$ -</u>	<u>\$ 538,430</u>	<u>\$ -</u>	<u>\$ 582</u>	<u>\$ 178,472</u>	<u>\$ 360,540</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
EAST CARTER HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Cash Balance July 1, 2013	Receipts	Disbursements	Transfers	Cash Balance June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Deposits Held in Custody For Students June 30, 2014
ACCOUNTS:								
4-H CLUB	\$ 389	\$ -	\$ -	\$ (389)	\$ -	\$ -	\$ -	\$ -
ADVANCE KY	-	12,000	(12,000)	-	-	-	-	-
ACADEMIC CLUB	40	-	-	-	40	-	-	40
ADVANCE P.E.	33	-	-	-	33	-	-	33
ART CLUB	383	1,263	(1,169)	-	477	-	-	477
BAND	-	829	(829)	-	-	-	-	-
BETA CLUB	311	7,849	(5,846)	2,947	5,261	-	-	5,261
JR BETA CLUB	2,947	-	-	(2,947)	-	-	-	-
CENTRAL	4,088	7,645	(10,003)	5,042	6,772	-	-	6,772
CHORUS	217	4,614	(4,831)	-	-	-	-	-
CULINARY ART	477	-	-	(477)	-	-	-	-
DRAMA CLUB	129	-	-	-	129	-	-	129
FBLA	147	11,556	(7,123)	(4,375)	205	-	-	205
FCA	43	-	-	-	43	-	-	43
FCCLA	221	1,286	(1,437)	35	105	-	-	105
FFA	73	12,297	(15,142)	2,945	173	-	-	173
FMD	1,527	1,625	(1,970)	-	1,182	-	-	1,182
FRENCH ACCOUNT	81	2,606	(2,615)	-	72	-	-	72
FEA	110	-	-	-	110	-	-	110
GUIDANCE	325	648	(688)	-	285	-	-	285
JAMES E. RILEY ART AWARD	695	1,000	(400)	-	1,295	-	-	1,295
JROTC	-	12,573	(10,959)	-	1,614	-	-	1,614
KY JR HISTORICAL SOCIETY	207	-	-	(150)	57	-	-	57
LIBRARY	332	255	-	-	587	-	-	587
MATH DEPT	660	825	(1,154)	-	331	-	-	331
JOHNNY	-	2,780	-	-	2,780	-	-	2,780
PARKING FEE ACCOUNT	326	1,210	(454)	(500)	582	-	-	582
PHYSICS CLUB	142	-	-	(142)	-	-	-	-
RAIDER NEWSPAPER	131	-	-	(131)	-	-	-	-
ARCHERY	1,730	5,182	(4,839)	-	2,073	-	-	2,073
SCIENCE CLUB	552	-	-	(552)	-	-	-	-
SENIOR FAREWELL	17	11,509	(10,577)	-	949	-	-	949
STUDENT COUNCIL	214	7,030	(6,200)	-	1,044	-	-	1,044
TEACHERS LOUNGE	148	925	(654)	-	419	-	-	419
TEXTBOOKS	999	-	-	-	999	-	-	999
WEIRD SCIENCE	1,123	-	-	(1,123)	-	-	-	-
YEARBOOK	2,905	3,434	(5,143)	-	1,196	-	-	1,196
SPECIAL ED RESOURCE	4	90	-	-	94	-	-	94
CLASS OF 2010	273	-	-	(273)	-	-	-	-
CLASS OF 2011	123	-	-	-	123	-	-	123
AWARD ACCOUNT	508	705	(1,204)	-	9	-	-	9
COMPUTER LAB	60	-	-	-	60	-	-	60
CULINARY ART	32	-	-	477	509	-	-	509
HEALTH & P.E.	1,089	-	-	(1,089)	-	-	-	-
AP CLASS	2,934	13,633	(12,885)	-	3,682	-	-	3,682
ENTREPRENEURSHIP CLASS	345	-	-	(345)	-	-	-	-
DECA	383	-	-	(383)	-	-	-	-
EMBROIDERY DESIGNS	20	-	-	-	20	-	-	20
CLASS OF 2014	3,430	3,952	(6,702)	(70)	610	-	-	610
CLASS OF 2015	609	7,621	(6,363)	-	1,867	-	-	1,867
SP ED LIFE SKILLS CLASS	50	-	-	-	50	-	-	50
ATHLETICS	146	21,695	(9,460)	(7,291)	5,090	-	-	5,090
BASEBALL	-	10,608	(14,857)	4,249	-	-	-	-
BASKETBALL-BOYS	-	14,592	(9,098)	-	5,494	-	-	5,494
BASKETBALL-GIRLS	(123)	16,873	(16,750)	-	-	-	-	-
CHEERLEADERS	-	2,949	(2,949)	-	-	-	-	-

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
EAST CARTER HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ACCOUNTS:	Cash Balance July 1, 2013	Receipts	Disbursements	Transfers	Cash Balance June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Deposits Held in Custody For Students June 30, 2014
CROSS COUNTRY	750	2,224	(1,293)	-	1,681	-	-	1,681
FOOTBALL	-	26,745	(33,474)	6,729	-	-	-	-
GOLF-BOYS	829	1,714	(1,386)	-	1,157	-	-	1,157
GOLF-GIRLS	2,279	1,249	(1,718)	-	1,810	-	-	1,810
REGIONAL BASEBALL	-	12,777	(4,870)	(7,857)	50	-	-	50
SOCCER-BOYS	81	3,752	(5,387)	5,270	3,716	-	-	3,716
SOCCER-GIRLS	634	5,925	(6,168)	400	791	-	-	791
SOFTBALL	2,922	4,876	(4,151)	-	3,647	-	-	3,647
SPORTS MEDICINE	470	-	-	-	470	-	-	470
TENNIS	922	4,803	(2,882)	-	2,843	-	-	2,843
TRACK-BOYS	1,016	1,714	(1,250)	-	1,480	-	-	1,480
TRACK-GIRLS	402	1,714	(1,376)	-	740	-	-	740
VOLLEYBALL-GIRLS	766	3,970	(4,414)	-	322	-	-	322
	<u>\$ 42,676</u>	<u>\$ 275,122</u>	<u>\$ (252,670)</u>	<u>\$ -</u>	<u>\$ 65,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,128</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
WEST CARTER HIGH SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS**

JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disbursements	Transfer	Cash Balance June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Deposits Held in Custody For Students June 30, 2014
ACCOUNTS:								
ACADEMIC CLUB	\$ 28	\$ 440	\$ (453)	\$ -	\$ 15	\$ -	\$ -	\$ 15
ART	65	132	(133)	-	64	-	-	64
BAND	262	200	(418)	-	44	-	-	44
BETA CLUB	23	6,499	(5,041)	-	1,481	-	-	1,481
BUSINESS DEPT	-	-	(24)	24	-	-	-	-
CADET ACCOUNT	489	500	(406)	-	583	-	-	583
CENTRAL	54	3,920	(3,402)	1,882	2,454	-	-	2,454
CHORUS	27	571	(347)	-	251	-	-	251
FBLA	257	910	(1,056)	-	111	-	-	111
FCA	214	-	-	-	214	-	-	214
FCCLA	152	195	(231)	-	116	-	-	116
FFA	30,432	54,367	(67,005)	(2,750)	15,044	-	-	15,044
GUIDANCE	321	4,525	(4,297)	-	549	-	-	549
JOURNALISM	-	1,466	(1,466)	-	-	-	-	-
Y CLUB	(2,116)	11,225	(10,573)	2,116	652	-	-	652
LIBRARY	-	2,295	(1,107)	-	1,188	-	-	1,188
MATH DEPT	-	-	(160)	160	-	-	-	-
PEP CLUB	(92)	287	-	234	429	-	-	429
PROM ACCOUNT	1,252	-	(5,543)	4,500	209	-	-	209
SEEK CLUB	45	-	-	-	45	-	-	45
SENIOR FAREWELL	(16)	-	(1,500)	1,516	(0)	-	-	(0)
SPANISH CLUB	1,001	795	(151)	-	1,645	-	-	1,645
TEACHERS LOUNGE	-	198	(196)	-	2	-	-	2
TEXTBOOKS	821	-	-	-	821	-	-	821
YEARBOOK	3,594	2,295	(4,666)	-	1,223	-	-	1,223
SPECIAL ED	-	-	-	-	-	-	-	-
BIOLOGY CLUB	932	-	-	-	932	-	-	932
AP CLUB	1,326	876	(531)	(300)	1,371	-	-	1,371
16th REGION PRINCIPALS	1,349	-	-	-	1,349	-	-	1,349
KHSAA CHEER	1,042	6,346	(7,147)	-	241	-	-	241
CLASS OF 2013	1,509	545	-	(1,659)	395	-	-	395
CLASS OF 2014	6,408	4,529	(6,120)	(4,150)	667	-	-	667
CLASS OF 2015	2,775	2,209	(24)	(2,150)	2,810	-	-	2,810
CLASS OF 2016	1,302	-	-	(150)	1,152	-	-	1,152
ALL "A"	-	3,835	(3,679)	(156)	-	-	-	-
ATHLETICS	178	7,466	-	(1,202)	6,442	-	-	6,442
BASEBALL	(3,599)	7,361	(2,898)	-	864	-	-	864
BASKETBALL-BOYS	6,119	22,869	(18,735)	(222)	10,031	-	-	10,031
BASKETBALL-GIRLS	759	13,112	(12,018)	(222)	1,631	-	-	1,631
CHEERLEADERS	-	3,414	(3,414)	-	-	-	-	-
CROSS COUNTRY	302	500	(74)	(302)	426	-	-	426
DISTRICT BASEBALL	(83)	-	-	83	-	-	-	-
EKC TOURNAMENT-WEST	-	748	-	(748)	-	-	-	-
FOOTBALL	(8,270)	24,733	(18,360)	2,158	261	-	-	261
GOLF-BOYS	(205)	1,050	(1,050)	205	-	-	-	-
GOLF-GIRLS	165	150	(130)	(185)	-	-	-	-
SOCCER-BOYS	199	5,744	(6,896)	953	-	-	-	-
SOCCER-GIRLS	-	3,736	(3,365)	-	371	-	-	371
SOFTBALL	-	5,866	(3,825)	-	2,041	-	-	2,041
SPORTS MEDICINE	270	577	(800)	-	47	-	-	47
TENNIS	(1,071)	2,489	(390)	-	1,028	-	-	1,028
TRACK-BOYS	(2,256)	6,455	(4,664)	465	-	-	-	-
VOLLEYBALL-GIRLS	941	8,770	(7,046)	(100)	2,565	-	-	2,565
ARCHERY TEAM	1,110	4,216	(4,420)	-	906	-	-	906
WCYSC	889	3,922	(4,257)	-	554	-	-	554
DEARFIELD	69	268	(171)	-	166	-	-	166
	<u>\$ 48,973</u>	<u>\$ 232,606</u>	<u>\$ (218,189)</u>	<u>\$ -</u>	<u>\$ 63,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,390</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

<u>Federal Grantor/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Program Expenditures</u>
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed through Kentucky Department of Education:			
Cash Assistance:			
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560	7850012 12	\$ 975
Child Nutrition Clusters:			
Cash Assistance:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002 14	1,246,737
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7750002 13	366,684
NATIONAL SCHOOL BREAKFAST PROGRAM	10.553	7760005 14	134,970
NATIONAL SCHOOL BREAKFAST PROGRAM	10.553	7760005 13	474,821
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7690024 14	2,150
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7740023 13	20,539
Non-Cash Assistance (Food Distribution):			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	7760005 12	176,186
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,423,062</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through State Department of Education:			
Appalachian Area Development:			
PERSONAL RESPONSIBILITY IN A DESIRABLE ENVIROMENT	23.002	2704	2,693
APPALACHIAN RESEARCH, TECHNICAL ASSISTANCE, AND DEMONSTRATION PROJECTS	23.011	6883	<u>1,253</u>
			<u>3,946</u>
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002 13	1,603,405
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100002 12	64,711
TITLE ONE GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3100202 11	40,392
			<u>1,708,508</u>
Special Education Cluster (IDEA)			
SPECIAL EDUCATION GRANTS TO STATES-IDEA	84.027	3810002 12	167,463
SPECIAL EDUCATION GRANTS TO STATES-IDEA	84.027	3810002 13	883,780
SPECIAL ED- PRESCHOOL	84.173	3800002 12	3,665
SPECIAL ED- PRESCHOOL	84.173	3800002 13	58,733
			<u>1,113,641</u>
CAREER AND TECHNICAL EDUCATION	84.048	3710006-13	403
CAREER AND TECHNICAL EDUCATION	84.048	3710002-13	21,308
CAREER AND TECHNICAL EDUCATION	84.048	4611310-13	93
CAREER AND TECHNICAL EDUCATION	84.048	4621132-13	26,780
			<u>48,584</u>
RURAL AND LOW INCOME SCHOOLS	84.358	3140002 13	80,277
			<u>80,277</u>
RURAL EDUCATION	84.367	3230002 11	908
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002 12	6,230
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002 13	327,788
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002 14	11,689
			<u>346,615</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Program Expenditures</u>
SCHOOL IMPROVEMENT	84.377	3100302 11	181,377
SCHOOL IMPROVEMENT	84.377	3100302 12	506,949
			<u>688,326</u>
RACE TO THE TOP	84.413	3960002 11	31,151
ARRA-SCHOOL IMPROVEMENT	84.388A	4100302 09	90,558
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,111,606</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Program			
ROTC	12.357	4300	131,189
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>131,189</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,665,857</u>

The accompanying notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

**CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE FISCAL 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 Carter County School District and is presented 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.

NOTE 2- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, commodities on hand are included on the total inventory of \$52,308.



The Fyffe Jones Group, AC

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

Kentucky State Committee
or School District Audit
Members of the Board of Education
Carter County School District
Carter, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carter 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 Carter County School District's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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.

A handwritten signature in blue ink that reads "The Fyffe Jones Group, AC." The signature is written in a cursive, flowing style.

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
January 12, 2015



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

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

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

Report on Compliance for Each Major Federal Program

We have audited the Carter County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Carter County School District's major federal programs for the year ended June 30, 2014. The Carter 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Carter County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*, 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 the Carter 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 the Carter County School District's compliance.

Opinion on Each Major Federal Program

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

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

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

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


THE FYFFE JONES GROUP, AC

Ashland, Kentucky
January 12, 2015

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

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
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 Circular A-133 Section 510 (a)?	No

The District had the following major federal award programs with CFDA numbers in parentheses for the year ended June 30, 2014:

- School Improvement Cluster (84.377 and 84.388)
- Special Education Cluster (84.027 and 84.173)
- ROTC (12.357)
- Child Nutrition- Food Distribution Program (10.565)

The dollar threshold used for distinguishing Types A and B programs was \$300,000.

The Carter County School District qualified as a low-risk auditee under OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

No matters were reported.

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

None noted in prior year.

CARTER COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

No corrective action plan is needed in the current year.

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Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County Board of Education
Grayson, Kentucky

In planning and performing our audit of the financial statements of Carter County School District (the "District") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated January 12, 2015. This letter does not affect our report dated January 12, 2015, on the financial statements of the Carter County School District. The conditions observed are reported in the following pages.

The Fyffe Jones Group, AC.

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
January 12, 2015

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Status of Prior Year Management Points

Personnel Files

- Previously, the auditor found that personnel files did not always contain a check list of required documents by employee class considered necessary to support proper employment history needed to demonstrate compliance with applicable state and federal employment law. This finding has been corrected in the current year.
- Previously the auditor found situations where the District hired certified employees from other districts where employment verification did not include a statement that criminal background checks had been conducted within the six month period prior to hire dates by the verifying districts. This finding has been corrected in the current year.
- Previously, the auditor found that personnel files did not contain completed I9 Forms, supporting proof of identification and required signature by authorized District staff responsible for the intake process. This finding has been corrected in the current year.
- Previously, the auditor found that federal W4 forms were also used as employee authorization for state withholding where states require all employees to use state withholding forms. This finding has been corrected in the current year.

Activity Funds

- Previously, the Auditor found that testing of activity funds for East Carter High School, West Carter High School, West Carter Middle School and Carter County Career and Technical School resulted in common Redbook deficiencies for all schools. The Auditor noted that prescribed forms were not being utilized and forms that were utilized were not properly authorized or signed. The Auditor also noted that deposits for fundraising events were not timely made. This finding was partially corrected in the current year in that prescribed forms were being utilized.

Current Year Findings and Recommendations

Activity Funds

Activity Funds of East Carter High School, East Carter Middle School and Prichard Elementary were selected for testing. The results of these tests indicated common Redbook deficiencies for all schools selected. Deficiencies are further discussed as follows:

1. Money collected by teachers and sponsors was not always given to the Treasurer on the day collected.
2. Deposits were not always made on the day cash receipts equaled or exceeded \$100.
3. Purchase orders were often dated after the invoice date which indicates purchase order procedures are not being followed.
4. Change funds used at sporting events was not deposited with gate receipts.

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

5. Change funds used at sporting events seemed excessive given the amount of tickets sold. The event tested with the highest amount of ticket sales was \$3,941 and the amount of change was \$1,000 and the event tested with the lowest amount of ticket sales was \$771 and the amount of change was \$500.
6. Cash used as change funds at events was not found recorded on any District general ledger.

We recommend the District establish a formal internal audit function where the internal auditor follows established auditing procedures for activity funds to include following an audit frequency schedule. The internal auditor should issue written citations for missing documentation and other deficiencies resulting in the failure to follow Redbook guidelines. The internal auditor should issue written reports monthly to the District Board for its use in resolving reported deficiencies. The internal auditor could also assist the external auditors in performing the District's annual audit. The benefit of having an internal audit function would first, help the District stay in compliance with the Redbook by maintaining a constant monitoring of school activity funds and second, reduce the fees of external auditors.

We also recommend the District require all cash on hand at schools be recorded on the Districts books of accounts.