

CORBIN INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014
WITH
REPORT OF INDEPENDENT AUDITORS**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds.....	17
Statement of Fiduciary Net Position – Fiduciary Funds	18
Notes to Basic Financial Statements.....	19

Required Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	42
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	43
Notes to Required Supplementary Information	44
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	46
Statement of Receipts, Disbursements, and Fund Balances – Elementary, Middle, and Trust School Activity Funds	47
Statement of Receipts, Disbursements, and Fund Balances – Corbin Independent High School Activity Fund	48
Schedule of Expenditures of Federal Awards	50
Notes to the Schedule of Expenditures of Federal Awards.....	52
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	55
Schedule of Findings and Questioned Costs – Major Programs	58
Schedule of Prior Year Audit Findings.....	60
Independent Auditors’ Transmittal Letter for Management Letter Comments.....	61
Management Letter Comments	62

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

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, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit 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

1

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 Corbin Independent 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 per the table of contents 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 Corbin Independent School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management discussion & analysis and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2014, on our consideration of Corbin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corbin Independent School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 11, 2014

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSIONS AND ANALYSIS (MD&A)

For the year ended June 30, 2014

The management of Corbin Independent School District (the District) offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2014. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2,093,210 in 2014 and \$2,545,100 in 2013. In 2014 and 2013, cash of \$386,796 and \$953,210, respectively, was restricted for capital projects.
- The General Fund had \$18,809,989 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$18,830,425 in General Fund expenditures.
- Governmental Capital Assets had a net increase of \$467,701 during the current fiscal year. Business-Type Activities Capital Assets had a net decrease of \$25,642 during the current fiscal year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations. The total debt decreased by \$623,778 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED For the year ended June 30, 2014

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There 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, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents 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 government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED

For the year ended June 30, 2014

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014

Fiscal year 2014 government-wide net position compared to 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,536,016	\$ 2,892,957
Capital assets	<u>46,118,716</u>	<u>45,852,949</u>
Total assets	<u>48,654,732</u>	<u>48,745,906</u>
Deferred outflow	<u>3,575</u>	<u>-</u>
Current liabilities	2,654,605	2,632,642
Non-current liabilities	<u>29,953,490</u>	<u>30,747,614</u>
Total liabilities	<u>32,608,095</u>	<u>33,380,256</u>
Net investment in capital assets, net of debt	15,555,847	13,862,727
Restricted net position	821,622	1,239,532
Unrestricted net position	<u>(327,257)</u>	<u>263,391</u>
Total net position	<u>\$ 16,050,212</u>	<u>\$ 15,365,650</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$15,365,650 at June 30, 2013; and total assets exceeded liabilities by \$15,696,988 at June 30, 2014. Proprietary assets exceeded liabilities by \$300,605 at June 30, 2013 and \$353,224 at June 30, 2014.

The District had an overall decrease of \$590,648 in unrestricted net position governmental activities.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2014 and 2013.

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED

For the year ended June 30, 2014

	2014	2013
Revenues		
Local revenue sources	\$ 4,366,112	\$ 3,923,891
State revenue sources	18,363,087	18,134,600
Federal revenue sources	<u>2,256,442</u>	<u>2,422,124</u>
Total Revenue	<u>24,985,641</u>	<u>24,480,615</u>
Expenditures		
Instruction	14,668,253	14,570,535
Student support services	401,980	356,370
Instructional support	435,224	399,376
District administration	848,262	860,347
School administration	1,388,853	1,383,442
Business operations	639,206	625,070
Plant operation and maintenance	2,047,353	2,300,121
Student transportation	1,119,345	1,026,675
Other instructional	11,510	11,663
Community service	216,634	209,176
Debt service	12,316,369	70,842
Facilities acquisition and construction	200,000	4,465,606
Site improvement	<u>256,814</u>	<u>2,569,344</u>
Total expenditures	<u>34,549,803</u>	<u>28,848,567</u>
Excess revenues (expenditures)	(9,564,162)	(4,367,952)
Other financing sources (uses)		
Bond proceeds	9,605,000	2,600,000
Tranfers in	2,306,854	2,638,932
Tranfers out	<u>(2,371,862)</u>	<u>(2,699,061)</u>
Total other financing sources and (uses)	<u>9,539,992</u>	<u>2,539,871</u>
Net change in fund balance	<u>\$ (24,170)</u>	<u>\$ (1,828,081)</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, they have no effect on the District's level net position.

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED **For the year ended June 30, 2014**

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$942,427 in contingency.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (606) 528-1303, or to Alicia Logan, Director of Financial Services at (606) 528-1303, or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,941,824	\$ 151,386	\$ 2,093,210
Accounts receivable:			
Taxes	74,149	-	74,149
Other	-	-	-
Intergovernmental - State	-	-	-
Intergovernmental - Federal	260,352	62,665	323,017
Inventory	-	45,640	45,640
Bond issue costs, net	-	-	-
Capital Assets, net			
Nondepreciable	3,221,818		3,221,818
Depreciable	42,795,714	101,184	42,896,898
Total assets	<u>48,293,857</u>	<u>360,875</u>	<u>48,654,732</u>
Deferred Outflows of Resources			
Deferred net bond refunding cost	<u>3,575</u>	<u>-</u>	<u>3,575</u>
LIABILITIES			
Accounts payable	63,733	7,651	71,384
Accrued expenses	-	-	-
Unearned revenue	208,220	-	208,220
Claims payable	238,946	-	238,946
Current maturities of loans payable	200,000	-	200,000
Current maturities of bond obligations	1,521,778	-	1,521,778
Current portion of accumulated sick leave	95,000	-	95,000
Interest payable	319,277	-	319,277
Noncurrent maturities of loans payable	600,000	-	600,000
Noncurrent maturities of bond obligations	29,044,666	-	29,044,666
Noncurrent portion of accumulated sick leave	308,824	-	308,824
Total liabilities	<u>32,600,444</u>	<u>7,651</u>	<u>32,608,095</u>
NET POSITION			
Net investment in capital assets	15,454,663	101,184	15,555,847
Restricted for:			
Capital expenditures	481,796	-	481,796
Other	87,786	252,040	339,826
Unrestricted	(327,257)	-	(327,257)
Total net position	<u>\$ 15,696,988</u>	<u>\$ 353,224</u>	<u>\$ 16,050,212</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			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							
Instruction	\$ 15,391,197	\$ 82,690	\$ 2,497,228	\$ -	\$ (12,811,279)	\$ -	\$ (12,811,279)
Student	403,035	14,846	-	-	(388,189)	-	(388,189)
Instructional support	440,388	-	144,511	-	(295,877)	-	(295,877)
District administration	876,628	-	-	-	(876,628)	-	(876,628)
School administration	1,403,209	-	81,000	-	(1,322,209)	-	(1,322,209)
Business operations	586,786	-	-	-	(586,786)	-	(586,786)
Plant operations and maintenance	2,204,214	-	23,070	-	(2,181,144)	-	(2,181,144)
Student transportation	1,092,406	-	-	-	(1,092,406)	-	(1,092,406)
Other instructional	11,510	-	-	-	(11,510)	-	(11,510)
Community services	221,036	-	216,634	-	(4,402)	-	(4,402)
Kisbit claims expense	238,946	-	-	-	(238,946)	-	(238,946)
Interest on long-term debt	1,247,820	-	-	820,545	(427,275)	-	(427,275)
Total governmental activities	24,117,175	97,536	2,962,443	820,545	(20,236,651)	-	(20,236,651)
Business-type activities							
Food service	1,655,108	353,282	1,253,779	-	-	(48,047)	(48,047)
Community service operations	315,816	291,835	59,616	-	-	35,635	35,635
Total business-type activities	1,970,924	645,117	1,313,395	-	-	(12,412)	(12,412)
Total primary government	\$ 26,088,099	\$ 742,653	\$ 4,275,838	\$ 820,545	(20,236,651)	(12,412)	(20,249,063)
			General revenues				
			Taxes:				
			Property	2,663,886	-	2,663,886	
			Motor vehicle	436,485	-	436,485	
			Utility	650,783	-	650,783	
			Earnings on investments	13,997	23	14,020	
			Tuition and fees				
			Student activity	168,792	-	168,792	
			State grants	16,948,084	-	16,948,084	
			Federal grants	-	-	-	
			Other local amounts	223,090	-	223,090	
			Transfers	(65,008)	65,008	-	
			Gain/(loss) on disposal of assets	-	-	-	
			Total general revenues	21,040,109	65,031	21,105,140	
			Change in net position	803,458	52,619	856,077	
			Prior period adjustments	(171,515)	-	(171,515)	
			Net position as of June 30, 2013	15,065,045	300,605	15,365,650	
			Net position as of June 30, 2014	\$ 15,696,988	\$ 353,224	\$ 16,050,212	

The accompanying notes are an integral part of these financial statements

CORBIN INDEPENDENT SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2014

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,607,051	\$ -	\$ 212,904	\$ 173,892	\$ 1,993,847
Accounts receivable:		-			-
Taxes	74,149	-	-	-	74,149
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Federal	-	260,352	-	-	260,352
Total assets	<u>1,681,200</u>	<u>260,352</u>	<u>212,904</u>	<u>173,892</u>	<u>2,328,348</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Checks written in excess of account balance	-	52,023	-	-	52,023
Accounts payable	63,624	109			63,733
Construction contracts retainage	-	-			-
Unearned revenue	-	208,220	-	-	208,220
Total liabilities	<u>63,624</u>	<u>260,352</u>	<u>-</u>	<u>-</u>	<u>323,976</u>
Fund balances					
Restricted	95,000	-	212,904	173,892	481,796
Assigned	87,786	-	-	-	87,786
Unassigned	1,434,790	-	-	-	1,434,790
Total fund balances	<u>1,617,576</u>	<u>-</u>	<u>212,904</u>	<u>173,892</u>	<u>2,004,372</u>
Total liabilities and fund balances	<u>\$ 1,681,200</u>	<u>\$ 260,352</u>	<u>\$ 212,904</u>	<u>\$ 173,892</u>	<u>\$ 2,328,348</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

Year ended June 30, 2014

Total fund balances - governmental funds	\$ 2,004,372
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	46,017,532
Capitalized the bond issue costs for the sale/refunding of bonds less amortization over the life of the bonds.	3,575
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(31,366,444)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(403,824)
Claims payable are not reported in the governmental fund balance sheet because the amount is not due and payable in the current period but is presented in the statement of net position.	(238,946)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(319,277)</u>
Total net position - governmental activities	<u>\$ 15,696,988</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2014

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 1,847,661	\$ -	\$ -	\$ 816,225	\$ 2,663,886
Motor vehicle	436,485	-	-	-	436,485
Utility	650,783	-	-	-	650,783
Earnings on investments	13,997	-	-	-	13,997
Tuition and fees	82,690	-	-	-	82,690
Student activity income	168,792	-	-	-	168,792
Other local	223,090	126,389	-	-	349,479
Intergovernmental - State	15,371,645	921,941	-	2,069,501	18,363,087
Intergovernmental - Federal	14,846	1,914,113	-	327,483	2,256,442
Total revenues	18,809,989	2,962,443	-	3,213,209	24,985,641
Expenditures					
Current:					
Instruction	12,129,956	2,538,297	-	-	14,668,253
Student	401,980	-	-	-	401,980
Instructional support	290,713	144,511	-	-	435,224
District administration	848,262	-	-	-	848,262
School administration	1,307,853	81,000	-	-	1,388,853
Business operations	639,206	-	-	-	639,206
Plant operations and maintenance	2,047,353	-	-	-	2,047,353
Student transportation	1,096,275	23,070	-	-	1,119,345
Other instructional	11,510	-	-	-	11,510
Community services	-	216,634	-	-	216,634
Building acquisition and construction	-	-	200,000	-	200,000
Site improvement	57,317	-	199,497	-	256,814
Debt service	-	-	-	12,316,369	12,316,369
Total expenditures	18,830,425	3,003,512	399,497	12,316,369	34,549,803
Excess (deficit) of revenues over (under) expenditures	(20,436)	(41,069)	(399,497)	(9,103,160)	(9,564,161)
Other financing sources (uses)					
Bond principal proceeds	-	-	-	9,605,000	9,605,000
Transfers in	206,881	41,069	121,066	1,937,838	2,306,854
Transfers out	(106,076)	-	-	(2,265,786)	(2,371,862)
Total other financing sources (uses)	100,805	41,069	121,066	9,277,052	9,539,992
Net change in fund balance	80,369	-	(278,431)	173,892	(24,170)
Fund balance as of June 30, 2013	1,537,207	-	491,335	-	2,028,542
Fund balance as of June 30, 2014	\$ 1,617,576	\$ -	\$ 212,904	\$ 173,892	\$ 2,004,372

CORBIN INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2014

Net change in total fund balances - governmental funds	\$ (24,170)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	(519,321)
Deferred net bond refunding costs are reported as expenditures in the fund financial statements because they use current resources, but they are presented as deferred outflows of resources in the statement of net position and amortized over the life of the bond.	(1,203)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	1,623,778
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	40,974
KSBIT claims expense is not considered current and is not recognized in the governmental fund financial statements but is recognized as an expense in the statement of activities	(238,946)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(77,654)</u>
Change in net position - governmental activities	<u>\$ 803,458</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS
 June 30, 2014**

	Food Service Fund	Other Enterprise Funds	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 155,248	\$ 155,248
Accounts receivable	62,665	-	62,665
Inventory	45,640	-	45,640
Total current assets	108,305	155,248	263,553
Noncurrent assets			
Capital assets	577,985	-	577,985
Less accumulated depreciation	(476,801)	-	(476,801)
Total noncurrent assets	101,184	-	101,184
Total assets	209,489	155,248	364,737
LIABILITIES			
Checks written in excess of account balance	3,862	-	3,862
Accounts payable	7,651	-	7,651
Total liabilities	11,513	-	11,513
NET POSITION			
Net investment in capital assets	101,184	-	101,184
Restricted for:			
Other	96,792	155,248	252,040
Unrestricted	-	-	-
Total net position	\$ 197,976	\$ 155,248	\$ 353,224

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 Year ended June 30, 2014**

	Food Service Fund	Other Enterprise Funds	Total
Operating revenues			
Lunchroom sales	\$ 353,282	\$ -	\$ 353,282
Tuition and fees	-	291,835	291,835
Total operating revenues	<u>353,282</u>	<u>291,835</u>	<u>645,117</u>
Operating expenses			
Salaries and wages	427,908	152,481	580,389
Employee benefits	108,918	43,352	152,270
Materials and supplies	1,092,640	119,983	1,212,623
Depreciation	25,642	-	25,642
Total operating expenses	<u>1,655,108</u>	<u>315,816</u>	<u>1,970,924</u>
Operating loss	<u>(1,301,826)</u>	<u>(23,981)</u>	<u>(1,325,807)</u>
Nonoperating revenues			
Federal grants	882,349	-	882,349
State grants	309,649	59,616	369,265
Donated commodities	61,781	-	61,781
Interest income	23	-	23
Loss on disposal of assets	-	-	-
Total nonoperating revenues/(expenses)	<u>1,253,802</u>	<u>59,616</u>	<u>1,313,418</u>
Income before contributions			
Transfers and special items	(48,024)	35,635	(12,389)
Transfers in	65,008	-	65,008
Change in net position	16,984	35,635	52,619
Net position as of June 30, 2013	<u>180,992</u>	<u>119,613</u>	<u>300,605</u>
Net position as of June 30, 2014	<u>\$ 197,976</u>	<u>\$ 155,248</u>	<u>\$ 353,224</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year ended June 30, 2014**

	Food Service Fund	Other Enterprise Funds	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	353,282	-	353,282
Other activities	-	291,835	291,835
Cash paid to/for:			
Employees	(536,826)	(195,833)	(732,659)
Supplies	(1,052,474)	(119,983)	(1,172,457)
Net cash used in operating activities	<u>(1,236,018)</u>	<u>(23,981)</u>	<u>(1,259,999)</u>
Cash flows from non-capital financing activities			
Grants received	1,184,106	59,616	1,243,722
Transfer in From General Fund	65,007	-	65,007
Net cash used in non-capital financing activities	<u>1,249,113</u>	<u>59,616</u>	<u>1,308,729</u>
Cash flows from investing activities			
Purchase of fixed assets	-	-	-
Interest received on investments	23	-	23
Net cash used in capital and related activities	<u>23</u>	<u>-</u>	<u>23</u>
Net increase in cash and cash equivalents	13,118	35,635	48,753
Cash and cash equivalents as of June 30, 2012	<u>(16,980)</u>	<u>119,613</u>	<u>102,633</u>
Cash and cash equivalents as of June 30, 2013	<u>(3,862)</u>	<u>155,248</u>	<u>151,386</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	(1,301,826)	(23,981)	(1,325,807)
Adjustments to reconcile change in net position to net cash used in operating activities:			
(Increase) Decrease in Inventory	(4,040)	-	(4,040)
Increase (Decrease) in Accounts payable	(17,576)	-	(17,576)
Non-cash supplies	61,782	-	61,782
Depreciation	25,642	-	25,642
Net cash used in operating activities	<u>(1,236,018)</u>	<u>(23,981)</u>	<u>(1,259,999)</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

June 30, 2014

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS		
Cash	\$ 135,827	\$ 135,827
Accounts receivable	<u>1,341</u>	<u>1,341</u>
Total assets	<u>137,168</u>	<u>137,168</u>
LIABILITIES		
Accounts payable	9,021	9,021
Due to student groups	<u>128,147</u>	<u>128,147</u>
Total liabilities	<u>137,168</u>	<u>137,168</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2014

1. The Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39 *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue, and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies

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, which rely significantly on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-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 function or program of the District's governmental activities and each segment of the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or function. The District charges indirect expenses to programs or functions in accordance with preset formulas. 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.

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

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.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

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

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are food service charges. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

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

The District has the following funds:

a. *Governmental fund types*

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

The *Special Revenue (Grant) Funds* account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. 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 audit report. This is a major fund of the District.

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

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

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

3. The *School Construction Fund* includes capital projects. The fund also accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. Due to on-going construction projects, the District considers this a major fund of the District.

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

c. *Proprietary fund types*

The *School Food Service Fund* accounts for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

The *Day Care Fund* is used to account for the day care operations of the District. The Day care Fund is not a major fund for the purposes of financial statement presentation.

d. *Fiduciary fund type*

The *Agency Funds* account for activities of student groups and other types of activities requiring clearing accounts. Certain agency funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange 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 recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

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

Revenues – The activities of the District are generally financed through state funding, property taxes, and Federal, State, and Local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

Unearned revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses – Expenses on the government wide financial statements are recorded on the accrual basis and are recorded when incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

Budgetary process – Budgetary Basis of Accounting: The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

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

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. This budget must contain a 2% reserve but not greater than 10%.

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

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

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

Inventories – Supplies and materials are charged to expense when purchased (purchases method). On government-wide financial statements, inventories, if any, are presented at lower of cost or market, and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as inventory at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds generally consist of donated and purchased food.

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

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

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 and are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000; however computers and related equipment are still required to be tracked but not capitalized. The District does not possess any infrastructure. Improvements are capitalized; whereas, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Other	10 years

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

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

Accumulated sick leave – Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

Net position – Net position represents the difference between assets and liabilities on the government wide financial statements. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are 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.

Contributions of capital – Contributions of capital in proprietary fund financial statements arise from contributions of fixed assets, grants, or 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 purchases funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Encumbrances – Encumbrances are not liabilities; therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014, in the governmental funds balance sheet.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

2. Basis of presentation and summary of significant accounting policies (continued)

Estimates – The preparation of basic financial statements requires the District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance – The Board has adopted GASB Statement number 54. This statement substantially changes the terminology used to describe different components of fund balance. Under this statement, fund balance is separated into five categories, as follows:

<i>Nonspendable</i>	Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
<i>Restricted</i>	Constraints arising from external sources such as creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations
<i>Committed</i>	Constraints imposed by formal action of the government’s highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.
<i>Assigned</i>	Constraints imposed by the government’s <i>intent</i> which includes encumbrances, to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.
<i>Unassigned</i>	Residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds.

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

Deferred outflows and inflows of resources – The Corbin Independent Board of education adopted GASB 63 in the prior year and GASB 65 for the current year, which requires the recording of deferred inflows/outflows of resources in the government wide financial statements. Deferred inflows and outflows of are defined as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The Corbin Independent School District presents the difference of the reacquisition price and carrying value of refunded bonds as deferred outflows in the amount of \$3,575. This will be amortized in future periods as a component of interest over the life of old bond or the new bond whichever is shorter. In addition bond costs are no longer capitalized and amortized.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

3. Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2014, the carrying amount of the District's cash and cash equivalents, including governmental and proprietary cash balances, was \$2,093,210 and the bank balance was \$2,545,100. At June 30, 2014, the District held \$135,827 in agency for various groups, with a bank balance of \$140,481.

As of June 30, 2014, none of the District's bank balances were exposed to custodial credit risk because of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging bank's trust department in the District's name. By state statute, and District policy, the District may deposit funds in state and nationally chartered banks which provide FDIC insurance and sufficient collateral to secure deposits in excess of FDIC coverage.

Cash is commingled in various bank accounts and short-term certificates of deposits. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash amount within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

4. Investments

Funds of the District are considered to be public funds; therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds, as provided by KRS 66.480. At June 30, 2014, the District holds no investments and therefore, does not have investment related credit risk or interest rate risk.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

5. Receivables

The District recognizes revenues as receivables when they are measurable and available with available actually meaning 60 days after years end. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories, (as stated in the District-wide financial statements):

	<u>June 30, 2014</u>
Accounts receivable	
Taxes	\$ 74,149
Other	14,579
Intergovernmental-State	62,090
Intergovernmental-Federal	<u>246,349</u>
	<u>\$ 397,167</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

6. Property taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the county. Taxes are due on January 1 and become delinquent after February 1 following the levy date. 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. Property tax rates assessed for the year ended June 30, 2014 were \$.562 per \$100 valuation for real property, \$.562 per \$100 valuation for business property, and \$.693 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 gas.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

7. Capital assets

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

	June 30, 2013 Balance	Additions	Retirements	June 30, 2014 Balance
Governmental Activities				
Land & Land Improvements	\$ 4,560,431	\$ 502,500	\$ -	\$ 5,062,931
Buildings & improvements	29,310,690	21,263,099	-	50,573,789
Technology	3,082,364	241,682	5,749	3,318,297
Vehicles	1,837,857	123,141	-	1,960,998
General Equipment	2,731,565	52,420	-	2,783,985
Construction Work in Progress	20,521,765	256,814	20,778,579	-
Total historical cost	62,044,671	22,439,656	20,784,328	63,700,000
Less accumulated depreciation	16,494,840	1,193,377	5,749	17,682,468
Governmental capital assets, net	<u>\$ 45,549,831</u>	<u>\$ 21,246,279</u>	<u>\$ 20,778,579</u>	<u>\$ 46,017,532</u>
Business-type Activities				
Technology	\$ 46,124	\$ -	\$ -	\$ 46,124
Vehicles	18,989	-	-	18,989
General Equipment	512,872	-	-	512,872
Total historical cost	577,985	-	-	577,985
Less accumulated depreciation	451,159	25,642	-	476,801
Business-type capital assets, net	<u>\$ 126,826</u>	<u>\$ (25,642)</u>	<u>\$ -</u>	<u>\$ 101,184</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions or programs on the statement of activities as follows:

Instruction	\$ 944,289
Student	1,054
Instruction staff	5,164
District administrative	28,366
School administrative	14,356
Plant operation and maintenance	99,544
Student transportation	96,202
Community service	4,402
	<u>\$ 1,193,377</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

8. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Corbin Independent School District Finance Corporation.

The original amount of each issue, the issue date, interest rate, and summary of changes are summarized below:

Bond Issue	Original Amount	Maturity Date	Interest Rates	2013			2014
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2005	\$ 530,000	7/1/2016	3.1-3.6%	\$ 198,000	\$ -	\$ 66,000	\$ 132,000
2007	\$ 15,005,000	2/1/2027	3.6-4.0%	13,470,000	-	700,000	12,770,000
2009	\$ 10,545,000	12/1/2029	2.625-5.0%	9,750,000	-	9,750,000	-
2011R	\$ 396,000	3/1/2021	1.75%	320,000	-	40,000	280,000
2011	\$ 950,000	9/1/2031	2.10-3.05%	930,000	-	25,000	905,000
2011QZAB	\$ 5,000,000	9/1/2029	4.35%	4,722,222	-	277,778	4,444,444
2012	\$ 2,600,000	8/1/2022	1.00%	2,600,000	-	90,000	2,510,000
2014R	\$ 9,605,000	12/1/2009	2.00-3.75%	-	9,605,000	80,000	9,525,000
				<u>\$ 31,990,222</u>	<u>\$ 9,605,000</u>	<u>\$ 11,028,778</u>	<u>\$ 30,566,444</u>

The District, through the General Fund, the Special Revenue Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky 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. Generally, the participation agreements provide for the Commission to assist the District in meeting bond obligations and are renewable bi-annually at the Commission's option. In the future, should the Kentucky General Assembly choose to not fund the Commission, the District would be responsible for meeting the full requirements of the bond issue. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

In 2009, the District issued \$10,545,000 of School Building Revenue Bonds (Build America Bonds – Direct Pay to Issuer) to finance the construction of additions and renovations to Corbin High School. A provision of the American-Reinvestment and Recovery Act of 2009 (the "ARRA") authorized the issuance of the taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to thirty-five percent of the amount of each interest payment on such taxable bonds. The District elected to issue the Bonds as taxable bonds. The available subsidy for the Bonds will be paid directly to the District and has been pledged to the payment of

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

8. Bonded debt and lease obligations (continued)

the Bonds. Due to the federal sequester, the payments were reduced \$7,525 in FY 2013 and the District was notified that there would be additional reductions FY 2014. Consequently the District refinanced the bond during the fiscal year 2014 with a bond in the amount of \$9,605,000 with interest ranging from 2.00-3.75%. The refunding bonds mature at 12/1/2029.

In 2011, the District issued \$5,000,000 of Qualified Zone Academy Bonds, (QZAB), to finance the construction of additions and renovations to Corbin High School. The QZABS were issued as "qualified zone academy bonds" and "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "ARRA"). The District has designated the Bonds as "qualified zone academy bonds" and "specified tax credit bonds" and has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the Corporation on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(B)(3) of the Internal Revenue Code with respect to such bond had the bonds been issued as "tax credit bonds." The available cash subsidy payment for the bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the bonds.

The District entered into an escrow agreement with the paying agent escrow agent directing that the escrow agent enter an Investment Agreement (a forward purchase or similar guaranteed investment agreement) with a provider that was selected by the District. The escrow agent shall purchase from the provider annually the investments required for deposit to the Sinking Fund for the QZABS established under the bond resolution and escrow agreement to the end that such annual Sinking Fund payments, together with the proceeds of the investment and re-investment thereof, will produce total principal amount required for the retirement of the QZABS on their maturity dates. The Sinking Fund principal due is shown as a separate column below in our bond payment schedule. This amount will accrue interest accrued on the sinking fund, and will not require the District to make any further payments unless the interest accrued does not equal principal owed.

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

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2014

8. Bonded debt and lease obligations (continued)

	<u>Local</u>		<u>SFCC</u>		<u>Qzab</u>		<u>Qzab</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	1,121,860	795,959	399,918	92,959	-	217,500	1,521,778	1,106,418		
2016	1,158,173	761,072	399,605	88,360	-	217,500	1,557,778	1,066,932		
2017	1,144,296	725,081	390,482	83,711	-	217,500	1,534,778	1,026,292		
2018	1,231,898	689,395	394,880	79,249	-	217,500	1,626,778	986,144		
2019	1,267,135	650,398	399,643	74,486	-	217,500	1,666,778	942,384		
2020	1,312,313	609,965	404,465	69,486	-	217,500	1,716,778	896,951		
2021	1,344,336	567,933	387,442	64,164	-	217,500	1,731,778	849,597		
2022	1,387,814	524,161	369,964	58,824	-	217,500	1,757,778	800,485		
2023	1,447,426	476,980	375,352	53,436	-	217,500	1,822,778	747,916		
2024	1,496,485	426,720	381,293	47,496	-	217,500	1,877,778	691,716		
2025	1,540,193	374,714	387,585	41,203	-	217,500	1,927,778	633,417		
2026	1,589,191	319,941	394,081	34,706	-	217,500	1,983,272	572,147		
2027	1,656,774	260,870	223,226	27,816	-	217,500	1,880,000	506,186		
2028	1,731,995	178,158	158,005	20,516	-	217,500	1,890,000	416,174		
2029	1,787,259	119,332	162,741	15,780	-	217,500	1,950,000	352,612		
2030	1,852,303	54,270	147,697	10,916	1,170,614	108,750	3,170,614	173,936		
2031	217,939	16,801	97,061	7,044	-	-	315,000	23,845		
2032	219,983	10,187	100,017	4,088	-	-	320,000	14,275		
2033	228,740	3,431	86,260	1,294	-	-	315,000	4,725		
	<u>\$ 23,736,113</u>	<u>\$ 7,565,368</u>	<u>\$ 5,659,717</u>	<u>\$ 875,534</u>	<u>\$ 1,170,614</u>	<u>\$ 3,371,250</u>	<u>\$ 30,566,444</u>	<u>\$ 11,812,152</u>		

9. Note Payable – Sisters of Divine Providence

On December 18, 2013, the District purchased property from the Sisters of Divine Providence that included buildings and land to be used for the construction of a new middle school. The property was purchased with the execution of a promissory note to the Sisters of Divine Providence in the amount of \$1,000,000. The note is to be paid in five equal payments each December until retired. The note bears no interest and the Board chose not to impute interest due to the materiality. The District paid \$200,000 in the year ended June 30, 2014 and the remaining balance of \$800,000 is to be paid over four years as follows:

FY	Principal	Interest
2015	\$ 200,000	-
2016	200,000	-
2017	200,000	-
2018	200,000	-
	<u>\$ 800,000</u>	<u>\$ -</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

9. Note Payable – Sisters of Diving Providence (continued)

A summary of the changes during the fiscal year ended June 30, 2014 is as follows:

Original <u>Amount</u>	Maturity <u>Date</u>	Interest <u>Rates</u>	2013			2014
			Outstanding <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Outstanding <u>Balance</u>
\$ 1,000,000	12/1/2018	0%	\$ -	\$ 1,000,000	\$ 200,000	\$ 800,000
			<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 200,000</u>	<u>\$ 800,000</u>

10. Other Long Term Debt – KSBIT

The District was assessed a total of \$238,946 payable due of Kentucky School Board Insurance Trust Shortfall in the prior year. The assessment was divided into two components; workers compensation assessments totaling \$191,688, and property and liability assessments totaling \$47,258. The District chose to pay the entire amount of the property and liability assessment before August 31, 2014. For the workers compensation assessment, the District has several options of repayment of the liability but has chosen the zero interest option which will require them to pay 25% of the assessment by August 31, 2014 and the remainder over the next six years in equal installments. There were no changes in the assessment during the year ending June 30, 2014.

11. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account accumulated sick leave payable in the General Fund. The noncurrent portion of the liability is not reported in the government fund financial statements.

A summary of the accumulated unpaid sick leave benefits for the fiscal year ended June 30, 2014 is as follows:

Balance as of June 30, 2013	\$ 326,170
Net change	<u>77,654</u>
Balance as of June 30, 2014	403,824
Less current portion	<u>(95,000)</u>
Long-term portion	<u>\$ 308,824</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

12. 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; fiduciary responsibility, injuries to employees; and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as disclosed in *Note 12 - Contingencies*.

The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

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). There were no instances of noncompliance noted.

13. Pension Plan

The Corbin Independent School District contributes to the Kentucky Teacher's Retirement System ("KTRS"), a cost-sharing, multiple-employer defined benefit plan. KTRS administers retirement and disability annuities, as well as, death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>.

Funding policy – Contribution rates are established by KTRS. Members contribute 11.355% of their salaries to KTRS. Employer contributions for federally funded employees were 14.605% and employer contributions for non-federally funded employees were 1.5%. The Commonwealth of Kentucky, on behalf of the District's certified employees, is required to contribute a portion of the state retirement (see *On-behalf Payments for Fringe Benefits*). The federal program for any salaries paid by that program pays the matching contributions.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

13. Pension Plan (continued)

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of member's gross salaries. Those who became members before July 1, 2008 contribute 1.50% of salary to the plan. Member contributions are 1.50% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.50% of members' salary for the 2013-2014 fiscal years.

For the year ended June 30, 2014, the Commonwealth of Kentucky contributed \$1,343,988 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2014, 2013, and 2012 were 291,968, \$249,317, and \$241,580, respectively, which represent those employees covered by federal programs. The District's contribution was equal to the required contribution for that year.

County Employees Retirement System

Employees who work an average of 80 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple employer, public employees' retirement system created and operating under Kentucky Law.

Plan Description – The County Employees Retirement System covers substantially all regular non-certified (classified personnel) full time employees of the District. The plan provides for retirement, disability, and death benefits. The CERS issues a publicly available financial report that includes financial statement and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

13. Pension Plan (continued)

Funding Policy – Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate.

Employees with a participation date on or after September 1, 2008 contribute and extra 1% to be deposited into the insurance fund. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates. The current District contribution rate is 18.89% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by Kentucky Retirement System's Board of Trustees. The District's contributions (including matching contributions and employee contributions) to CERS for the years ended June 30, 2014, 2013, and 2012 were \$613,947, \$657,661, and \$661,007, respectively. The District's contributions were equal to the required contribution for those years.

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

CERS and KTRS do not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plans, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

14. Contingencies

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2014 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Litigation - The District is subject to legal actions in various states 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.

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

14. Contingencies (continued)

Kentucky School Boards Insurance Trust (KSBIT) - The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide insurance through nonprofit self-insured pools authorized under Kentucky law. These pools allowed school districts, colleges and universities to combine their resources while sharing risks. Due to various economic factors, the Pools incurred deficits of approximately \$60 million. KSBIT has taken a number of steps to address the Pools' deficits; however, the deficits have grown as claims costs have escalated and a substantial number of districts have continued to leave the Pools due to competitive pressures.

The Board of Trustees of KSBIT had claims and reserve reviews undertaken by independent outside firms to confirm the Pools' deficits. As a result of these reviews and after consultation with the Kentucky Department of Insurance, KSBIT provided an assessment that the District must pay. The amounts for property/liability insurance and workers compensation insurance have been recorded in the financial statements as liabilities.

15. Deficit fund balances

The District did not have any funds with deficit balances at June 30, 2014. However, there may be funds with deficit operating balances.

16. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers'	
Retirement System of Kentucky	\$ 1,343,992
Health and Life insurance	2,559,059
Technology	41,615
Debt Service	481,061
Total	<u>\$ 4,425,727</u>

On-behalf payments were allocated to the General Fund in the amount of \$3,588,355, to School Food Services in the amount of \$296,692, to the Day Care Services in the amount of \$59,619, and to Debt Service in the amount of \$481,061

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

17. Transfer of Funds

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Matching	\$ 41,069
Capital Outlay	General	COFT	206,881
FSPK	Debt Service	Debt Service	1,937,838
Capital Outlay	Construction	Construction	13,575
General	Food Service	Operations	65,007
FSPK	Construction	Construction	107,491

18. Implementation of GASB Statement No. 65/Changes in Net Position

The District has implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* which along with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, adopted in the prior year. This standard established guidance for properly classifying and reporting items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources, and net position in a statement of financial position.

The adoption of GASB 65 required changes to the Statement of Net Position. Beginning net position of the governmental activities was decreased \$176,293 to eliminate bond issuance cost which had been capitalized and amortized on previous statements. Additionally, beginning net position of the governmental activities increased \$4,698 to capitalize the deferred difference between the reacquisition cost and carrying value of refunded bonds issued prior to the 2013-14 fiscal year.

19. Interfund Receivables and Payables

At June 30, 2014, there were no interfund balances outstanding are reflected in the financial statements.

20. Fund Balance Designations

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 95,000	Accumulated sick leave
Construction	212,904	Future Construction
Other	126,878	Other restricted
Debt Service	47,014	Debt service

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2014

21. Subsequent Events

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through November 11, 2014, the date on which the financial statements were available to be issued.

In March 2009, the Government Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

No events have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 1,586,990	\$ 1,686,990	\$ 1,847,661	\$ 160,671
Motor vehicle	415,000	415,000	436,485	21,485
Utility	580,000	580,000	650,783	70,783
Earnings on investments	30,000	14,000	13,997	(3)
Tuition and fees	65,000	75,000	82,690	7,690
Student activity income	-	-	168,792	168,792
Other local	84,413	91,868	223,090	131,222
Intergovernmental - State	14,860,074	15,091,635	15,371,645	280,010
Intergovernmental - Federal	6,500	6,500	14,846	8,346
Total revenues	<u>17,627,977</u>	<u>17,960,993</u>	<u>18,809,989</u>	<u>848,996</u>
Expenditures				
Current:				
Instruction	12,689,464	12,929,488	12,129,956	799,532
Student	387,743	409,933	401,980	7,953
Instructional staff	302,399	302,747	290,713	12,034
District administration	802,583	817,126	848,262	(31,136)
School administration	1,363,884	1,370,438	1,307,853	62,585
Business operations	588,418	589,074	639,206	(50,132)
Plant operations and maintenance	1,943,178	2,027,769	2,047,353	(19,584)
Student transportation	841,330	912,965	1,096,275	(183,310)
Other instructional	13,661	13,661	11,510	2,151
Site improvement	-	-	57,317	(57,317)
Total expenditures	<u>18,932,660</u>	<u>19,373,201</u>	<u>18,830,425</u>	<u>542,776</u>
Excess (deficit) of revenues over (under) expenditures	(1,304,683)	(1,412,208)	(20,436)	1,391,772
Other financing sources (uses)				
Transfers in	-	-	206,881	206,881
Transfers out	(30,000)	(30,000)	(106,076)	(76,076)
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>100,805</u>	<u>130,805</u>
Net change in fund balance	(1,334,683)	(1,442,208)	80,369	1,522,577
Fund balance as of June 30, 2013	<u>1,537,207</u>	<u>1,537,207</u>	<u>1,537,207</u>	<u>-</u>
Fund balance as of June 30, 2014	\$ <u>202,524</u>	\$ <u>94,999</u>	\$ <u>1,617,576</u>	\$ <u>1,522,577</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ -	\$ 154,741	\$ 126,389	\$ (28,352)
Intergovernmental - State	771,997	976,463	921,941	(54,523)
Intergovernmental - Federal	1,402,254	2,169,935	1,914,113	(255,822)
Total revenues	2,174,251	3,301,139	2,962,443	(338,696)
Expenditures				
Current:				
Instruction	1,778,466	2,882,636	2,538,297	344,339
Instructional support	113,513	139,166	144,511	(5,345)
District administration	-	-	-	-
School administration	81,000	81,000	81,000	-
Student transportation	22,096	22,773	23,070	(297)
Community service	209,176	216,634	216,634	-
Total expenditures	2,204,251	3,342,209	3,003,512	338,697
Deficit of revenues under expenditures	(30,000)	(41,070)	(41,069)	(1)
Other financing sources				
Operating transfers in	30,000	41,069	41,069	-
Total other financing sources	30,000	41,069	41,069	-
Net change in fund balance	-	-	-	-
Fund balance as of June 30, 2013	-	-	-	-
Fund balance as of June 30, 2014	\$ -	\$ -	\$ -	\$ -

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2014

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

CORBIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2014

	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS				
Cash and cash equivalents	<u>\$ 36,585</u>	<u>\$ 90,293</u>	<u>\$ 47,014</u>	<u>\$ 173,892</u>
Total assets	<u>36,585</u>	<u>90,293</u>	<u>47,014</u>	<u>173,892</u>
FUND BALANCES				
Fund Balances:				
Restricted	<u>36,585</u>	<u>90,293</u>	<u>47,014</u>	<u>173,892</u>
Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 36,585</u>	<u>\$ 90,293</u>	<u>\$ 47,014</u>	<u>\$ 173,892</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2014

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ 816,225	\$ -	\$ 816,225
Earnings on investments	-	-	-	-
Intergovernmental - State	257,041	1,319,398	493,062	2,069,501
Intergovernmental - Federal	-	-	327,483	327,483
Total revenues	257,041	2,135,623	820,545	3,213,209
Expenditures				
Debt service	-	-	12,316,369	12,316,369
Total expenditures	-	-	12,316,369	12,316,369
Other financing sources (uses)				
Bond principal proceeds	-	-	9,605,000	9,605,000
Transfers in	-	-	1,937,838	1,937,838
Transfers out	(220,456)	(2,045,330)	-	(2,265,786)
Total other financing sources (uses)	(220,456)	(2,045,330)	11,542,838	9,277,052
Net change in fund balance	36,585	90,293	47,014	173,892
Fund balance as of June 30, 2013	-	-	-	-
Fund balance as of June 30, 2014	\$ 36,585	\$ 90,293	\$ 47,014	\$ 173,892

CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
ELEMENTARY, MIDDLE, AND TRUST FUNDS
Year ended June 30, 2014**

School/ Activity Fund	Cash and Cash Equivalents June 30, 2013	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
Corbin Middle School	\$ 30,845	\$ 175,091	\$ 172,828	\$ 33,108	\$ 49	\$ 8,989	\$ 24,168
Corbin Middle School Gaming	25	774	-	799	-	-	799
Corbin Intermediate School	21,906	74,296	82,425	13,777	-	-	13,777
Corbin Elementary School	32,731	69,470	95,726	6,475	-	-	6,475
Corbin Primary School	43,834	84,829	123,763	4,900	-	-	4,900
Corbin Primary Gaming	25	-	-	25	-	-	25
Corbin Education Center	2,227	178	-	2,405	-	-	2,405
Totals	\$ 131,593	\$ 404,638	\$ 474,742	\$ 61,489	\$ 49	\$ 8,989	\$ 52,549

CORBIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
CORBIN INDEPENDENT HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2014

	Fund Balances		Disbursements	Cash and Cash Equivalents		Accounts Receivable	Accounts Payable	Fund Balances
	June 30, 2013	Receipts		In (Out)	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
General Fund	\$ 674	\$ 6,946	\$ 5,062	\$ (1,373)	\$ 1,185	\$ 815	\$ -	\$ 2,000
Academic Boosters	1,602	1,220	719	-	2,103	-	-	2,103
Academic Team	-	260	100	(160)	-	-	-	-
Annual	1,712	9,072	5,469	-	5,315	-	-	5,315
Art Class	31	86	151	34	-	-	-	-
ATC	-	1,566	1,563	-	3	-	-	3
Art Club	644	299	524	232	651	-	-	651
Athletics	4,935	126,577	96,619	(7,206)	27,687	428	-	28,115
Band	4	485	250	-	239	-	-	239
Baseball Field	59	4,060	3,010	2,000	3,109	-	-	3,109
Beta Club	142	1,757	1,773	-	126	-	-	126
Book Rental	-	67,749	71,622	3,873	-	-	-	-
Bowling-Boys	578	1,510	1,204	200	1,084	-	-	1,084
Bowling-Girls	1,047	675	645	-	1,077	-	-	1,077
Boys Camp	284	15,476	12,192	-	3,568	-	-	3,568
Boys Golf	-	4,443	4,249	(194)	-	-	-	-
Chior	997	1,671	1,361	-	1,307	-	-	1,307
CHS Photography CL	-	20	-	(20)	-	-	-	-
Cross Country	968	2,905	3,569	-	304	-	-	304
Dance Team	49	6,473	4,596	-	1,926	-	-	1,926
Duel Credit	-	14,976	11,746	(3,230)	-	-	-	-
Jimmy Durham	86	2,242	1,832	-	496	-	-	496
Equipment Room	122	1,453	1,374	-	201	13	-	214
FACS	739	1,631	2,973	1,200	597	-	-	597
FBLA	-	4,856	4,373	-	483	-	-	483
FCCLA	687	938	761	-	864	-	-	864
Field Trip	-	3,161	3,680	519	-	-	-	-
Fishing Team	1,203	2,263	3,225	(125)	116	-	-	116
Football Camp	163	6,729	6,502	-	390	-	-	390
Football Officials	-	1,485	1,440	-	45	-	-	45
Freshman Center	-	27	-	(27)	-	-	-	-
Girls Camp	46	10,409	9,871	1,595	2,179	-	-	2,179

**CORBIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
CORBIN INDEPENDENT HIGH SCHOOL ACTIVITY FUND -CONTINUED
Year ended June 30, 2014**

	Fund Balances		Disbursements	Transfers	Cash and Casl	Accounts	Accounts	Fund
	June 30, 2013	Receipts		In (Out)	Equivalents	Receivable	Payable	Balances
	June 30, 2013	Receipts	Disbursements	In (Out)	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Girls Golf	71	845	769	(95)	52	-	-	52
Guidance	-	255	-	(150)	105	-	-	105
Junior Class	-	9,050	4,530	(4,520)	-	-	-	-
Cheerleaders	8,100	67,420	76,875	8,163	6,808	-	-	6,808
Key Club	363	-	396	33	-	-	-	-
Photo Club	-	90	-	20	110	-	-	110
LED Account	20	40	-	-	60	-	-	60
Library Department	51	73	61	-	63	-	-	63
Lost/Damaged	316	24	326	-	14	-	-	14
Mascot Fund	100	550	-	(650)	-	-	-	-
National Honor Society	965	375	1,132	(206)	2	-	-	2
Odyssey of the Mind	-	-	130	130	-	-	-	-
Pep Club	176	261	81	-	356	-	-	356
ROTC	792	9,887	8,393	-	2,286	-	-	2,286
Science Class	-	296	169	(120)	7	-	-	7
Senior Class	819	720	1,455	286	370	-	-	370
Senior Science	119	52,657	52,763	-	13	-	-	13
Softball	3,997	18,750	22,099	-	648	-	-	648
Soccer-Boys	-	3,375	2,370	(700)	305	-	-	305
Soccer-Girls	-	1,450	1,235	700	915	-	-	915
Spanish Club	35	-	-	-	35	-	-	35
Student Council	207	450	386	-	271	-	-	271
Swim Team	-	5,528	5,059	125	594	-	-	594
Teachers Lounge	529	2,075	2,581	27	50	36	32	54
Testing	-	902	902	-	-	-	-	-
Thespian Society	3,562	22,861	24,903	-	1,520	-	-	1,520
Travel	-	951	590	(361)	-	-	-	-
Tennis-Boys	371	2,596	2,597	-	370	-	-	370
Tennis-Girls	1,359	7,369	8,516	-	212	-	-	212
Track-Boys	1,255	1,729	1,300	-	1,684	-	-	1,684
Track-Girls	118	1,729	700	-	1,147	-	-	1,147
Vegas Club	-	676	510	-	166	-	-	166
Volleyball	859	6,008	6,462	-	405	-	-	405
Weight Room	1,050	-	790	-	260	-	-	260
Y-Club	-	13,875	13,845	(20)	10	-	-	10
YSC	-	2,057	1,632	20	445	-	-	445
Total accounts	\$ 42,006	\$ 538,344	\$ 506,012	\$ -	\$ 74,338	\$ 1,292	\$ 32	\$ 75,598

CORBIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
School Breakfast Program	10.553		
Fiscal Year 13		7760005-13	51,547
Fiscal Year 14		7760005-14	183,303
National School Lunch Program	10.555		
Fiscal Year 13		7750002-13	124,314
Fiscal Year 14		7750002-14	448,070
Summer Food Service Program for Children	10.559		
Fiscal Year 13		7690024-13	23,963
Fiscal Year 14		7740023-14	51,152
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 14		51-4950	61,781
Child Nutrition Cluster Subtotal			944,130
Total US Department of Agriculture			944,130
U.S. Department of Commerce			
Passed Through Eastern Kentucky Pride Program			
Pride Environmental Education	11.469		
Fiscal Year 14		2704	5,777
Total U.S. Department of Commerce			5,777
US Department of Education			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 13		3100002-13	144,166
Fiscal Year 14		3100002-14	336,993
Title I Cluster Subtotal			481,159
Title I Program for Neglected and Delinquent Children	84.013		
Fiscal Year 14		3134	17,840
			17,840
Innovative Approaches to Literacy	84.215		
Fiscal Year 13		6103	11,863
Fiscal Year 14		6104	116,015
			127,878
Special Education Grants to States	84.027		
Fiscal Year 13		3810002-13	227,827
Fiscal Year 14		3810002-14	360,819
Special Education-Preschool Grants	84.173		
Fiscal Year 13		3800002-13	9,757
Special Education Cluster Subtotal			598,403
Vocation Education-Basic Grants to States	84.048		
Fiscal Year 13		4621132-13	851
Fiscal Year 14		4621132-14	16,311
Fiscal Year 12A		4621132-12	-
			17,162
Rural Education	84.358		
Fiscal Year 13		3140002-13	8,620
Fiscal Year 14		3140002-14	33,355
			41,975
Improving Teacher Quality State Grants	84.367		
Fiscal Year 13		3230002-13	9,616
Fiscal Year 14T		3230002-14	25,000
Fiscal Year 14		3230002-14	112,346
			146,962

CORBIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Impact Aid Fiscal Year 14	84.041	5214	2,994
			<u>2,994</u>
21st Century Community Learning Fiscal Year 12	84.287	3400002-12	102,865
Fiscal Year 13		3400002-13	273,094
Fiscal Year 14		3400002-14	-
			<u>375,959</u>
Race to the Top Fiscal Year 11	84.413	4521	5,200
			<u>5,200</u>
Total US Department of Education			<u>1,815,532</u>
US Department of Defense Junior Reserve Officers' Training Corps Fiscal Year 14	12.000	2-5044	37,604
			<u>37,604</u>
Total US Department of Defense			<u>37,604</u>
US Department of Health and Human Services Drug-Free Communities Support Program Grants Fiscal Year 13	93.276	5003	47,208
			<u>47,208</u>
Community Clinical Linkages Fiscal Year 13	93.945	4423	4,000
			<u>4,000</u>
Total US Department of Health and Human Services			<u>51,208</u>
Appalachian Regional Commission Appalachian Research, Technical Assistance, and Demonstration Projects Fiscal Year 14	23.011	6884	3,991
			<u>3,991</u>
Total Appalachian Regional Commission			<u>3,991</u>
Total Expenditure of Federal Awards		\$	<u>2,858,242</u>

CORBIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended June 30, 2014

1. Basis of presentation

The accompanying schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Corbin Independent 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*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. In-kind commodities

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are not included under the Child Nutrition Cluster. Total value of commodities received by the District was \$61,781.

3. Cluster Programs

The following CFDA numbers are considered cluster programs:

Special Education Cluster

Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173

Child Nutrition Cluster

National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Services for Children	10.559

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School district Audits in the *Appendix I to the Independent Auditor's contract-General audit Requirements* and *Appendix II to the Independent Auditor's Contract-State audit requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Corbin Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Corbin Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control over Financial Reporting

Management of Corbin Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Corbin Independent 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 Corbin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corbin Independent 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 Corbin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving internal control over financial reporting that we have reported to the management of Corbin Independent School District in a separate letter dated November 11, 2014.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 11, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Corbin Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's contract-General Audit Requirements* and *Appendix II to the Independent auditor's contract-State Audit Requirements*. 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 Corbin Independent 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 Corbin Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Corbin Independent 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 Corbin Independent 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 Corbin Independent 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 Corbin Independent 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Corbin Independent School District as of and for the year ended June 30, 2014, and have issued our report thereon dated September 30, 2014, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 11, 2014

CORBIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-MAJOR PROGRAMS
Year ended June 30, 2014

Section I – Summary of Auditor Results

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified	<u> </u>	Yes <u> ✓ </u>	No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes <u> ✓ </u>	None reported
Noncompliance material to financial statement notes	<u> </u>	Yes <u> ✓ </u>	No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	<u> </u>	Yes <u> ✓ </u>	No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes <u> ✓ </u>	None reported
Type of auditors' report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> </u>	Yes <u> ✓ </u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
Special Education Cluster	
84.027	Special Education Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between Type A and Type B program	\$	300,000	
Auditee qualified as low risk	<u> ✓ </u>	Yes <u> </u>	No <u> </u>

CORBIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-MAJOR PROGRAMS (continued)
Year ended June 30, 2014

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

CORBIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2014

Status of Prior Year Findings

There were no prior year audit findings.

Members of the Board of Education
Corbin Independent School District
Corbin, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated November 11, 2014 on the basic financial statements of Corbin Independent School District.

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

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 11, 2014

CORBIN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2014

Prior Year Comments –School Activity Funds

Corbin High School

1. Purchase orders were either not adequately completed, or timely prepared for all purchases. The Redbook states that “To initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated”.

This issue appears resolved.

2. All bank statements were not initialed and dated by principal indicating review of such document. The Redbook states the Principal shall “review bank statements initialing and dating after review”.

This issue appears resolved.

Corbin Middle School

3. Deposits not made timely after ballgames. The Redbook states that “all monies collected should be deposited on a daily basis”.

This issue appears resolved.

4. Ticket requisitions were either not present or improperly issued. The Redbook states “The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Form F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signed

This issue appears resolved.

Current Year Findings –School Activity Funds

There are no current year findings reported.