

**REPORT OF THE AUDIT OF THE
CUMBERLAND COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2014**

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Members of the Board
Cumberland County School District
Burkesville, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland County School District, Burkesville, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

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 Cumberland County School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County School District's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis are required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major 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 subject 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 State of America. In our opinion, the combing and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Cumberland County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Cumberland County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Ross and Company". The signature is written in a cursive, flowing style.

Ross and Company, PLLC
November 10, 2014

**Cumberland County School District
Burkesville, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2014**

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

FINANCIAL HIGHLIGHTS

- The beginning and ending cash balance including investments for the District was \$1,249,182 and \$1,085,009 respectively in the General Fund, School Food Service and School Age Childcare.
- A concerted effort was focused on purchasing in all areas.
- The General Fund had \$7,454,746 in receipts, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes, interest and in-kind payments. Excluding inter-fund transfers, there was \$7,618,498 in General Fund expenditures.

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) district-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The district-wide financial statements can be found on pages 10 and 11.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District used 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

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2014
(Continued)

and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are the day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 and 14.

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

The notes to the financial statement can be found on pages 21 through 35.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,694,768 as of June 30, 2014.

A portion of the District's net positions 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. 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 of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014 and 2013, respectively:

ASSETS	2014	2013
Total current assets	\$ 1,302,031	\$ 1,926,888
Total non-current assets	13,349,767	14,119,148
Total assets	\$ 14,651,798	\$ 16,046,036
Deferred Outflows	108,000	-
Total	<u>\$ 14,759,798</u>	<u>\$ 16,046,036</u>
LIABILITIES		
Total current liabilities	\$ 1,271,595	\$ 1,418,392
Total non-current liabilities	10,793,435	11,600,900
Total liabilities	<u>12,065,030</u>	<u>13,019,292</u>
NET POSITION		
Invested in capital assets, net of related debt	1,803,945	1,776,298
Restricted	431,271	687,647
Unrestricted	459,552	562,799
Total net positions	<u>2,694,768</u>	<u>3,026,744</u>
Total liabilities and net positions	<u>\$ 14,759,798</u>	<u>\$ 16,046,036</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
JUNE 30, 2014
(Continued)

The following table presents a summary of General Fund revenue and expense for the fiscal year ended June 30, 2014.

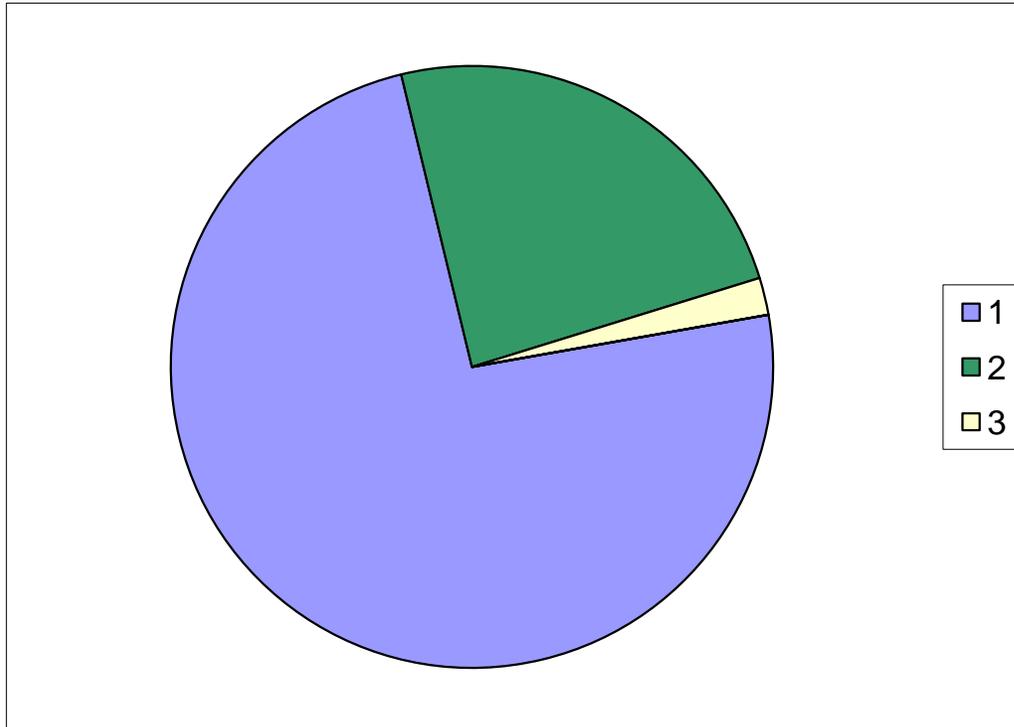
Revenues	<u>General Fund</u>
From local sources	1,837,806
State sources	5,644,898
Federal - indirect	13,219
Transfer/ Other	<u>120,892</u>
Total revenues	<u>7,616,815</u>
Expenditures	
Instruction	4,356,825
Support services	
Student	348,343
Instruction staff	250,516
District administration	295,656
School administration	515,584
Business	588,491
Plant operation and maintenance	692,721
Student transportation	583,321
Food service operation	17
Community service activities	133
Debt service	500
Transfer	<u>131,696</u>
Total expenditures	<u>7,763,803</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u><u>(146,988)</u></u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2014, were \$8,563,202 including a beginning balance of \$946,387.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$282,719 more than budgeted by 3.41% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being \$516,680 less than budget by 6.24% favorable percentage points.

General Fund Revenue

Chart 1



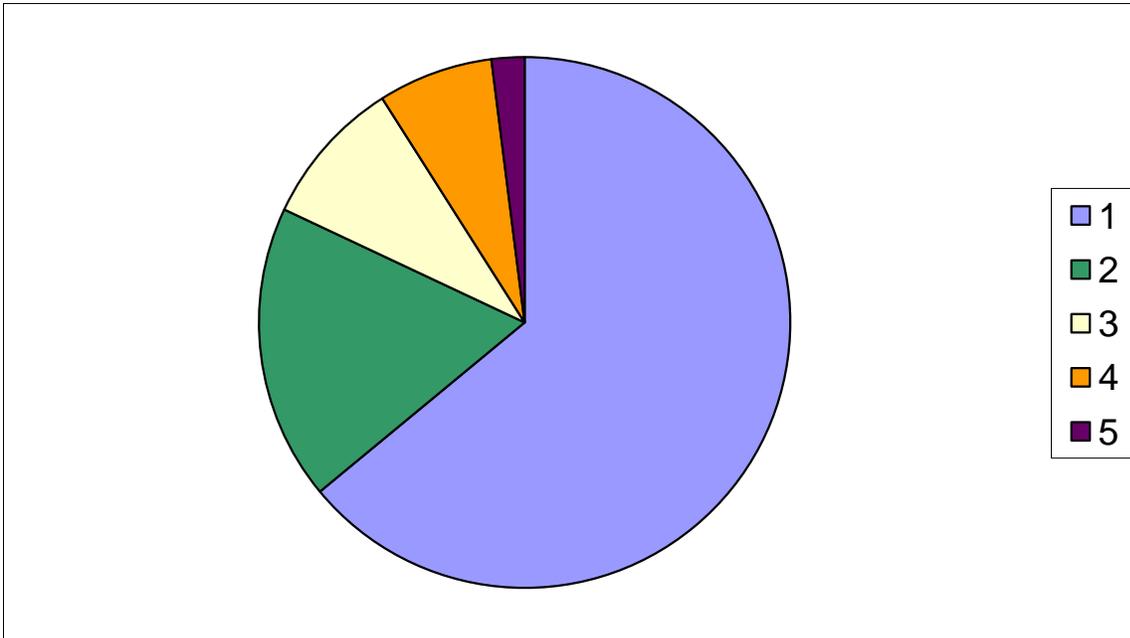
1 = 74% Revenue from State Sources \$5,644,898

2 = 24% Revenue from Local Sources \$1,837,806

3 = 2% Revenue from Federal Source/Revenue from Other Sources \$134,111

General Fund Expenditures

Chart 2



1 = 64% Instructional/Student and Staff Support Services \$4,955,684

2 = 18% Administration/Business Support Services \$1,399,731

3 = 9% Plant Operation and Management \$692,721

4 = 7% Student Transportation \$583,321

5 = 2% Food Service/Community Service /Debt Service \$132,346

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. 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 budget with \$720,529 in contingency. The beginning and ending cash balances for fiscal year 2013-14 in the General Fund were \$396,552 and \$296,311 respectively. Significant actions taken by the District are as follows:

- KTRS matching employer rates went from 1% to 1.5%.
- CERS rates went from 19.55% to 18.89%.
- No salary increase for certified nor classified personnel
- From June 30, 2013 to June 30, 2014, ADA decreased from 899.83 to 857.50 for the district
- The Board adopted the 4% tax rate
- Fund 400 (Debt Service) was created per a KDE directive
- Workers Comp rates increase from .4417 to .5 for professional & clerical workers. From 5.96 to 9 for drivers. From 5.7172 to 4 for cooks, custodians, maintenance workers.
- Due to federal sequestration, we are responsible for the part of the 'interest free' QZAB bond payment in September 2012 in the amount of \$7492.88 and in April 2013 \$6201.00.
- Lack of funding to districts for transportation at the state level remains a concern. Currently, transportation is funded at approximately 60%. In April 2014 we were cut \$5,055 per month for a total cut to transportation of \$20,220.00 for the year
- The Transportation Director and Maintenance Director positions were combined as of September 2013 at a cost savings to the board.
- Beginning October 2013, SEEK was cut \$13825
- In October 2013 the transportation department underwent a full scale KDE transportation audit.
- In February 2014, board received a \$25,000 donation from Duo County for infrasture needs.
- In February 2014, HS & MS Band Program receive the Opus Foundation grant for instruments.
- Effort to reduce substitute cost proved valuable.
- KSBIT announced its plan for an assessment. Districts will be responsible for the deficit (\$64035) it has incurred. 25% payment will be due August 2014 and annual payments for six years.
- The fixed asset threshold was changed from \$1,000 to \$5,000 to align with the KDE directive

Questions regarding this report should be directed to **Dr. Kirk Biggerstaff, Superintendent**, or **Kristi Willen, Finance Officer** at 270-864-3377 or by mail at P O Box 420, Burkesville, KY 42717.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

DISTRICT WIDE
As of June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 288,503	\$ 181,287	\$ 469,790
Investments	500,000	-	500,000
Other receivables	313,131	-	313,131
Inventory	-	18,922	18,922
Prepays	188	-	188
Total current assets	<u>1,101,822</u>	<u>200,209</u>	<u>1,302,031</u>
Non-current Assets			
Land	175,321	-	175,321
Land Improvements	665,254	-	665,254
Buildings and improvements	16,487,834	31,375	16,519,209
Furniture and equipment	3,125,466	486,303	3,611,769
Less: Accumulated depreciation	(7,367,712)	(254,074)	(7,621,786)
Total non-current assets	<u>13,086,163</u>	<u>263,604</u>	<u>13,349,767</u>
Total assets	<u>14,187,985</u>	<u>463,813</u>	<u>14,651,798</u>
Deferred outflows	108,000	-	108,000
Total assets & deferred outflows	<u>\$ 14,295,985</u>	<u>\$ 463,813</u>	<u>\$ 14,759,798</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 16,560	\$ 4,636	\$ 21,196
Deferred revenue	101,778	2,885	104,663
Interest payable	293,518	-	293,518
Current portion of long-term obligations	741,699	-	741,699
Current portion of KISTA obligations	55,946	-	55,946
Current portion of sick-leave	54,573	-	54,573
Total current liabilities	<u>1,264,074</u>	<u>7,521</u>	<u>1,271,595</u>
Non-current Liabilities			
Non-current portion of long-term obligation	10,543,204	-	10,543,204
Non-current portion of KISTA obligation	204,973	-	204,973
Non-current portion of accrued sick leave	45,258	-	45,258
Total non-current liabilities	<u>10,793,435</u>	<u>-</u>	<u>10,793,435</u>
Total liabilities	<u>\$ 12,057,509</u>	<u>\$ 7,521</u>	<u>\$ 12,065,030</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 1,540,341	\$ 263,604	\$ 1,803,945
Restricted for:			
Capital projects	184,010	-	184,010
Other	54,573	192,688	247,261
Unrestricted	459,552	-	459,552
Total net position	<u>2,238,476</u>	<u>456,292</u>	<u>2,694,768</u>
Total liabilities and net position	<u>\$ 14,295,985</u>	<u>\$ 463,813</u>	<u>\$ 14,759,798</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
Instruction	\$ 6,148,911	\$ -	\$ 1,143,010	\$ -	\$ (5,005,901)	\$ -	\$ (5,005,901)
Support services:							
Student	360,391	-	11,402	-	(348,989)	-	(348,989)
Instruction staff	555,467	-	312,578	-	(242,889)	-	(242,889)
District administrative	296,974	-	-	-	(296,974)	-	(296,974)
School administrative	516,217	-	-	-	(516,217)	-	(516,217)
Business	589,498	-	-	-	(589,498)	-	(589,498)
Plant operation and maintenance	693,717	-	-	-	(693,717)	-	(693,717)
Student transportation	671,746	-	16,848	-	(654,898)	-	(654,898)
Facilities acquisition and construction	17,639	-	-	-	(17,639)	-	(17,639)
Community service activities	80,072	-	76,820	-	(3,252)	-	(3,252)
Other	23,899	-	-	-	(23,899)	-	(23,899)
Interest on long-term debt	307,211	-	-	-	(307,211)	-	(307,211)
Total governmental activities	10,261,742	-	1,560,658	-	(8,701,084)	-	(8,701,084)
Business-type Activities							
Food service	717,226	45,697	666,036	-	-	(5,493)	(5,493)
Community Education	43,614	32,147	2,476	-	-	(8,991)	(8,991)
Total business-type activities	760,840	77,844	668,512	-	-	(14,484)	(14,484)
Total school district	\$ 11,022,582	\$ 77,844	\$ 2,229,170	\$ -	\$ (8,701,084)	\$ (14,484)	\$ (8,715,568)
			General Revenues				
			Property taxes	\$ 1,085,884	\$ -	\$ 1,071,659	
			Delinquent property tax	16,491	-	30,716	
			Motor vehicle taxes	213,406	-	213,406	
			Utility taxes	449,277	-	449,277	
			Other taxes	172,533	-	172,533	
			Investment earnings	26,038	1,830	27,868	
			State aid formula grants	6,209,187	-	6,209,187	
			Loss on sale of fixed assets	(784)	-	(784)	
			Miscellaneous	209,730	-	209,730	
			Transfers	30,431	(30,431)	-	
			Total general revenues	8,412,193	(28,601)	8,383,592	
			Change in net position	(288,891)	(43,085)	(331,976)	
			Net position - beginning	2,527,367	499,377	3,026,744	
			Net position - ending	\$ 2,238,476	\$ 456,292	\$ 2,694,768	

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 296,311	\$ (191,893)	\$ 121,270	\$ 62,815	\$ 288,503
Investments	500,000	-	-	-	500,000
Other receivables	11,760	301,371	-	-	313,131
Prepaid Expenditures	188	-	-	-	188
Total assets	<u>\$ 808,259</u>	<u>\$ 109,478</u>	<u>\$ 121,270</u>	<u>\$ 62,815</u>	<u>\$ 1,101,822</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 8,860	\$ 7,700	\$ -	\$ -	\$ 16,560
Deferred revenue	-	101,778	-	-	101,778
Total liabilities	<u>8,860</u>	<u>109,478</u>	<u>-</u>	<u>-</u>	<u>118,338</u>
Fund Balances					
Restricted:					
Future Construction	\$ -	\$ -	\$ 121,270	\$ -	\$ 121,270
SFCC Escrow	-	-	-	62,740	62,740
Other	-	-	-	75	75
Committed:					
Sick Leave Payable	54,573	-	-	-	54,573
Unassigned:	744,826	-	-	-	744,826
Total fund balances	<u>799,399</u>	<u>-</u>	<u>121,270</u>	<u>62,815</u>	<u>983,484</u>
Total liabilities and fund balances	<u>\$ 808,259</u>	<u>\$ 109,478</u>	<u>\$ 121,270</u>	<u>\$ 62,815</u>	<u>\$ 1,101,822</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total Fund Balance-Governmental Funds		\$	983,484
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:			
Cost of capital	\$	20,453,875	
Accumulated depreciation		(7,367,712)	
Deferred outflow		108,000	13,194,163
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:			
Long-term Obligations		(11,284,903)	
KISTA Obligations		(260,919)	
Interest payable		(293,518)	
Long-term sick leave		(99,831)	(11,939,171)
		(99,831)	(11,939,171)
Total Net Position-Governmental Funds		\$	2,238,476

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2014

Revenues	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
From local sources					
Property taxes	\$ 767,249	\$ -	\$ -	\$ 335,126	\$ 1,102,375
Motor vehicle taxes	213,406	-	-	-	213,406
Utilities taxes	449,277	-	-	-	449,277
Other taxes	172,533	-	-	-	172,533
Earnings on investments	25,616	50	257	165	26,088
Other local revenues	209,726	-	-	-	209,726
State sources					
SEEK	4,010,742	-	-	407,228	4,417,970
On Behalf Payments	1,608,381	-	-	143,842	1,752,223
Other	25,775	359,153	-	-	384,928
Federal - indirect	13,219	1,201,455	-	-	1,214,674
Total revenues	<u>7,495,924</u>	<u>1,560,658</u>	<u>257</u>	<u>886,361</u>	<u>9,943,200</u>
Expenditures					
Instruction	4,356,825	1,162,407	-	-	5,519,232
Support services					
Student	348,343	11,402	-	-	359,745
Instruction staff	250,516	312,578	-	-	563,094
District administration	295,656	-	-	-	295,656
School administration	515,584	-	-	-	515,584
Business	588,491	-	-	-	588,491
Plant operation and maintenance	692,721	-	-	-	692,721
Student transportation	583,321	16,848	-	-	600,169
Food service operation	17	-	-	-	17
Facilities acquisition and construction	-	-	17,639	-	17,639
Community service activities	133	76,820	-	-	76,953
Debt service	500	-	-	1,121,540	1,122,040
Total expenditures	<u>7,632,107</u>	<u>1,580,055</u>	<u>17,639</u>	<u>1,121,540</u>	<u>10,351,341</u>
Excess (deficit) of revenues over expenditures	<u>(136,183)</u>	<u>(19,397)</u>	<u>(17,382)</u>	<u>(235,179)</u>	<u>(408,141)</u>
Other Financing Sources (Uses)					
Other financing sources- Not transfers	4	-	-	-	4
Operating transfers in	120,888	19,397	161,699	926,460	1,228,444
Operating transfers out	(131,697)	-	(323,397)	(742,919)	(1,198,013)
Total other financing sources (uses)	<u>(10,805)</u>	<u>19,397</u>	<u>(161,698)</u>	<u>183,541</u>	<u>30,435</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(146,988)</u>	<u>-</u>	<u>(179,080)</u>	<u>(51,638)</u>	<u>(377,706)</u>
Net change in fund balances	(146,988)	-	(179,080)	(51,638)	(377,706)
Fund balance, July 1, 2013	946,387	-	300,350	114,453	1,361,190
Fund balance, June 30, 2014	<u>\$ 799,399</u>	<u>\$ -</u>	<u>\$ 121,270</u>	<u>\$ 62,815</u>	<u>\$ 983,484</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Total net change in fund balances- governmental funds \$ (377,706)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. (731,911)

In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold. (784)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments. 773,645

In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned. 30,563

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds. 17,302

Change in Net Position - Governmental Funds \$ (288,891)

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2014

ASSETS	<u>Food Service Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 149,481	\$ 31,806	\$ 181,287
Inventory	18,922	-	18,922
Total current assets	<u>168,403</u>	<u>31,806</u>	<u>200,209</u>
Noncurrent Assets			
Buildings and improvements	31,375	-	31,375
Furniture and equipment	485,172	1,131	486,303
Less: Accumulated depreciation	(253,660)	(414)	(254,074)
Total noncurrent assets	<u>262,887</u>	<u>717</u>	<u>263,604</u>
Total assets	<u><u>\$ 431,290</u></u>	<u><u>\$ 32,523</u></u>	<u><u>\$ 463,813</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 4,534	\$ 102	\$ 4,636
Deferred Revenue	2,885	-	2,885
Total liabilities	<u>7,419</u>	<u>102</u>	<u>7,521</u>
NET POSITION			
Invested in capital assets, net of related debt	262,887	717	263,604
Restricted for:			
Inventory	18,922	-	18,922
Net Position	<u>142,062</u>	<u>31,704</u>	<u>173,766</u>
Total net position	<u>423,871</u>	<u>32,421</u>	<u>456,292</u>
Total liabilities and net position	<u><u>\$ 431,290</u></u>	<u><u>\$ 32,523</u></u>	<u><u>\$ 463,813</u></u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2014

	Food Service Fund	Other Proprietary Funds	Total
Operating Revenues			
Service sales	\$ 44,533	\$ 29,960	\$ 74,493
Other operating revenue	1,164	2,187	3,351
Total operating revenues	<u>45,697</u>	<u>32,147</u>	<u>77,844</u>
Operating Expenses			
Salaries and wages	336,641	24,071	360,712
Professional and contract services	9,527	6,396	15,923
Supplies and materials	332,627	12,401	345,028
Depreciation	36,641	45	36,686
Other operating expenses	1,790	701	2,491
Total operating expenses	<u>717,226</u>	<u>43,614</u>	<u>760,840</u>
Operating income (loss)	<u>(671,529)</u>	<u>(11,467)</u>	<u>(682,996)</u>
Non-operating revenues (expenses)			
Federal grants	569,449	-	569,449
State grants	96,587	2,476	99,063
Interest income	1,830	-	1,830
Total non-operating revenues (expenses)	<u>667,866</u>	<u>2,476</u>	<u>670,342</u>
Transfers Out	(27,322)	(3,109)	(30,431)
Net income (loss)	(30,985)	(12,100)	(43,085)
Total net position, July 1, 2013	<u>454,856</u>	<u>44,521</u>	<u>499,377</u>
Total net position, June 30, 2014	<u>\$ 423,871</u>	<u>\$ 32,421</u>	<u>\$ 456,292</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2014

	Food Service Fund	Other Proprietary Funds	Total
Cash Flows from Operating Activities			
Cash received from sales	\$ 44,319	\$ 30,606	\$ 74,925
Cash received from other activities	1,164	2,187	3,351
Cash payments to employees for services	(336,641)	(24,071)	(360,712)
Cash payments to suppliers for goods and services	(343,025)	(19,129)	(362,154)
Cash payments for other operating activities	(1,790)	(701)	(2,491)
Net cash from operating activities	<u>(635,973)</u>	<u>(11,108)</u>	<u>(647,081)</u>
Cash Flows from Noncapital Financing Activities			
Transfers	(27,322)	(3,109)	(30,431)
Non-operating grants received	666,036	2,476	668,512
Net cash from noncapital financing activities	<u>638,714</u>	<u>(633)</u>	<u>638,081</u>
Cash Flows from Investing Activities			
Interest on investments	1,830	-	1,830
Net cash flows from investing activities	<u>1,830</u>	<u>-</u>	<u>1,830</u>
Net increase in cash and cash equivalents	4,571	(11,741)	(7,170)
Cash and cash equivalents - beginning	144,910	43,547	188,457
Cash and cash equivalents - ending	<u>149,481</u>	<u>31,806</u>	<u>181,287</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	(671,529)	(11,467)	(682,996)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	36,641	45	36,686
Changes in assets and liabilities:			
Receivables	399	646	1,045
Inventory	(5,405)	-	(5,405)
Accounts payable	4,534	(332)	4,202
Deferred Revenue	(613)	-	(613)
Net Cash Provided by Operating Activities	<u>\$ (635,973)</u>	<u>\$ (11,108)</u>	<u>\$ (647,081)</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2014

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Due from other funds	<u>\$ 279,374</u>
Total assets	<u><u>\$ 279,374</u></u>
LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 279,374</u>
Total net position and liabilities	<u><u>\$ 279,374</u></u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2014

	<u>Trust/Agency Fund</u>
Additions	
Revenues from student activities	\$ 420,109
Deduction	
Non-instructional expenses	<u>(408,032)</u>
Change in revenues over expenses	12,077
Due to school groups - beginning	<u>267,297</u>
Due to school groups - ending	<u>\$ 279,374</u>

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cumberland County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Cumberland County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Cumberland County School District Finance Corporation – The Cumberland County School District resolved to authorize the establishment of the Cumberland County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. Two board members of the Cumberland County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

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

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular 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 segments or governmental function is self-financing or draws from the general revenues of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary 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.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Type

The District utilizes the proprietary fund type to account for the major funds: Food Service. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contributions of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards. The aggregations of non-major funds are called Other Enterprises, which accounts for Child Care Funds.

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, 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.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2014, the District did not have a nonspendable fund balance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$44,050 restricted in the Building Fund and \$18,765 restricted in Capital Outlay Fund. The District restricted funds \$121,270 in Construction Fund for future construction at June 30, 2014.

Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$54,573 committed funds for sick leave payable in General Fund

Assigned fund balances are those amounts that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balance also include (a) all remaining amounts (except for negative amounts 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. The district did not have any assigned funds as of June 30, 2014.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed, and restricted when an expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2014, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$1,824,287 and the combined bank balances totaled \$2,108,099. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2014.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Revenues and other governmental fund financial resource increments (i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from November 1 through December 31. Collections from the period November 1 through November 30 receive a two percent discount. The due date is the period from December 1 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien filed by the County Attorney.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

Pension Plan

The Cumberland County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

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 pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July, 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.605%.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment 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.

CUMBERLAND COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 4. RETIREMENT PLANS (CONTINUED)

Kentucky Teachers' Retirement System (Continued)

Funding policy – In order to fund the post-employment healthcare benefit, four and one half percent (4.5%) of gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Cumberland County School System's total payroll for the year was \$5,855,143. The payroll for employees covered under KTRS was \$4,720,199. For the year ended June 30, 2014, the Commonwealth contributed \$539,948 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2014 were \$93,940 which represents those employees covered by federal programs.

County Employees Retirement System

The District has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The District's contribution rate for nonhazardous employees was 18.89 percent.

The District's contribution for FY 2012 was \$220,440, FY 2013 was \$229,033, and FY 2014 was \$203,933.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

NOTE 4. RETIREMENT PLANS (CONTINUED)

County Employees Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2014, the estimate for those employees with 27 or more years of service is \$99,831, in which \$54,573 is short-term and \$45,258 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net positions 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 positions 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 or more, including all workstations, and has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

CUMBERLAND COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

Governmental Assets

	June 30, 2013	Additions	Retirements	June 30, 2014
Cost				
Land	\$ 175,321	\$ -	\$ -	\$ 175,321
Land Improvements	665,254	-	-	665,254
Buildings & Improvements	16,504,125	-	(16,291)	16,487,834
Technology Equipment	1,042,552	25,222	(60,917)	1,006,857
Other	639,010	-	(12,687)	626,323
Vehicles	1,492,285	-	-	1,492,285
Totals at historical cost	\$ 20,518,547	\$ 25,222	\$ (89,895)	\$ 20,453,874
Less: Accumulated Depreciation				
Land Improvements	369,406	19,302	-	388,708
Buildings & Improvements	3,975,989	586,122	(16,291)	4,545,820
Technology Equipment	928,013	56,040	(60,854)	923,199
Other	250,982	25,879	(11,965)	264,896
Vehicles	1,175,299	69,790	-	1,245,089
Total accumulated depreciation	6,699,689	757,133	(89,110)	7,367,712
NET	\$ 13,818,858	\$ (731,911)	\$ (785)	\$ 13,086,162
Business Assets				
Cost				
Buildings & Improvements	\$ 38,206	\$ -	\$ (5,700)	\$ 32,506
Technology Equipment	5,724	-	(5,036)	688
General Equipment	484,485	-	-	484,485
Totals at historical cost	\$ 528,415	\$ -	\$ (10,736)	\$ 517,679
Less: Accumulated Depreciation				
Buildings & Improvements	35,876	673	(5,700)	30,849
Technology Equipment	5,494	138	(5,036)	596
General Equipment	186,755	35,876	-	222,631
Total accumulated depreciation	228,125	37,091	(10,736)	254,076
NET	\$ 300,290	\$ (36,687)	\$ -	\$ 263,603

CUMBERLAND COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Cumberland County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

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

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013</u>			<u>2014</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2007 Rev Bonds	3,750,000	4/1/2027	3.75%-3.875%	\$ 3,125,000	\$ -	\$ 170,000	\$ 2,955,000
2008 Rev Bonds	4,895,000	6/1/2028	2.25%-4.0%	4,270,000	-	210,000	4,060,000
2011 QZAB	3,250,000	4/1/2026	5.30%	2,926,602	-	161,699	2,764,903
2013 Rev Bond	1,705,000	4/1/2022	1.25%	1,690,000	-	185,000	1,505,000
TOTAL				\$ 12,011,602	\$ -	\$ 726,699	\$ 11,284,903

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 32 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amounts to be paid by the Commission. The Schedule of Total Bonded Debt Maturities follows on page 32.

CUMBERLAND COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

**CUMBERLAND COUNTY SCHOOLS
 SCHEDULE OF DEBT PAYMENTS
 AS OF JUNE 30, 2014**

YEAR	CUMBERLAND COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2015	\$ 647,983	\$ 234,071	\$ 93,716	\$ 52,296	\$ 1,028,066
2016	664,794	221,174	96,905	49,067	1,031,940
2017	685,321	207,574	96,378	45,722	1,034,995
2018	699,822	193,093	91,877	42,304	1,027,096
2019	721,331	177,734	95,368	38,812	1,033,245
2020	737,659	161,388	99,040	35,141	1,033,228
2021	758,846	144,551	102,853	31,328	1,037,578
2022	774,886	126,771	106,813	27,368	1,035,838
2023	595,747	108,346	110,952	23,229	838,274
2024	616,448	91,527	115,251	18,929	842,155
2025	631,982	73,512	119,717	14,463	839,674
2026	1,476,858	54,882	124,356	9,824	1,665,920
2027	510,825	35,444	129,175	5,006	680,450
2028	380,000	15,200	-	-	395,200
TOTAL	\$ 9,902,502	\$ 1,845,267	\$ 1,382,401	\$ 393,489	\$13,523,659

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

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013</u>			<u>2014</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2004B Kista	115,000	5/1/2014	2.0-4.25%	\$ 10,000	\$ -	\$ 10,000	\$ -
2005 Kista	129,563	3/1/2015	3.0%-3.625%	24,387	-	11,989	12,398
2006 Kista	134,034	3/1/2016	3.3%-4.0%	40,072	-	14,597	25,475
2009 Kista	154,745	3/1/2020	2.0%-3.6%	107,104	-	14,831	92,273
2012 Kista	167,952	3/1/2022	2.0-2.625%	149,685	-	18,912	130,773
TOTAL				\$ 331,248	\$ -	\$ 70,329	\$ 260,919

CUMBERLAND COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014
 (Continued)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

**CUMBERLAND COUNTY SCHOOLS
 SCHEDULE OF CAPITAL LEASE PAYMENTS
 AS OF JUNE 30, 2014**

YEAR	CUMBERLAND COUNTY SCHOOL DISTRICT		TOTALS
	PRINCIPAL	INTEREST	
2015	\$ 55,946	\$ 7,151	\$ 63,097
2016	44,718	5,514	50,232
2017	32,474	4,221	36,695
2018	33,287	3,412	36,699
2019	31,575	2,540	34,115
2020	32,388	1,712	34,100
2021	15,040	783	15,823
2022	15,491	407	15,898
TOTAL	\$ 260,919	\$ 25,740	\$ 286,659

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	\$ 19,397
Operating	Construction	Construction	Project adjustment	161,699
Operating	School Food Service	General	Indirect cost transfer	27,322
Operating	School Age Child Care	General	Indirect cost transfer	3,109
Operating	Building Fund	Debt Service	Bond Payments	652,462
Operating	Capital Outlay	General	Capital Funds Request	90,457
Operating	Construction	Debt Service	Bond Payments	161,699
Operating	General	Debt Service	KISTA Payments	112,299
Total Transfers				\$ 1,228,444

NOTE 9. DEFICIT OPERATING BALANCES

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

General Fund	(\$146,988)
Construction Fund	(\$179,080)
Capital Outlay Fund	(\$400)
Debt Service Fund	(\$51,238)
Food Service	(\$30,985)
School Age Child Care	(\$12,100)

NOTE 10. RISK MANAGEMENT

Liability Insurance Coverage

The District is exposed to various risks related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District has commercial insurance through WRM-America. The District pays an annual premium for coverage.

Health Care Coverage

Full-time employees of the District are covered by the State administered medical insurance plan. The State contributes a variable amount to each employee's account based upon the employee's plan choice. Medical insurance coverage paid by the State on behalf of District employees has been recorded as a revenue and expenditure in the General Fund. Under COBRA, employers are mandated to notify Ceridian Benefits Services of terminated employees. Ceridian Benefit Services then notifies terminated employees of available continuing insurance coverage. Failure to notify Ceridian Benefits Services of employee terminations can put the District at risk of paying the premiums.

Worker's Compensation

The District participates with Kentucky School Boards Insurance Trust. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Unemployment Insurance

The District obtains unemployment insurance coverage through the Kentucky Board of Education's Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently named as defendants in any lawsuits to the knowledge of the School District and the District's attorney.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did reflect this change in policy because Kentucky Department of Education directed to budget for on behalf payments.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2014 was \$1,842,928. These payments were recorded as follows:

General Fund	\$ 1,608,381
Debt Service	143,842
Food Service	90,705
	<hr/>
	\$ 1,842,928
	<hr/>

CUMBERLAND COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 674,000	\$ 674,000	\$ 767,249	\$ 93,249	13.84%
Motor vehicle taxes	200,000	200,000	213,406	13,406	6.70%
Utility taxes	400,000	400,000	449,277	49,277	12.32%
Other taxes	155,000	155,000	172,533	17,533	11.31%
Earnings on investments	20,000	20,000	25,616	5,616	28.08%
Other local revenues	132,000	132,000	209,726	77,726	58.88%
State Sources					
SEEK	4,032,588	4,032,588	4,010,742	(21,846)	-0.54%
On Behalf	1,632,709	1,632,709	1,608,381	(24,328)	-1.49%
Other	17,200	17,200	25,775	8,575	49.85%
Federal-Indirect	-	-	13,219	13,219	100.00%
Other	300	300	4	(296)	-98.67%
Inter-fund transfers	120,300	120,300	120,888	588	0.49%
Beginning Balance	896,386	896,386	946,387	50,001	5.58%
TOTAL REVENUES	<u>8,280,483</u>	<u>8,280,483</u>	<u>8,563,203</u>	<u>282,720</u>	<u>3.41%</u>
EXPENDITURES					
Instructional	4,513,101	4,519,226	4,356,825	162,401	3.59%
Student services					
Student	447,037	447,037	348,343	98,694	22.08%
Instructional staff	275,894	275,894	250,516	25,378	9.20%
District administrative	382,389	382,389	295,656	86,733	22.68%
School administrative	512,245	512,245	515,584	(3,339)	-0.65%
Business	432,619	432,619	588,491	(155,872)	-36.03%
Plant operation and maintenance	699,658	699,658	692,721	6,937	0.99%
Student transportation	558,367	558,367	583,321	(24,954)	-4.47%
Community Services	611	611	133	478	78.23%
Debt service	600	600	500	100	16.67%
Other	60	60	17	43	71.67%
Inter-fund transfers	119,448	119,448	131,697	(12,249)	-10.25%
Contingency	338,454	332,329	-	332,329	100.00%
TOTAL EXPENDITURES	<u>8,280,483</u>	<u>8,280,483</u>	<u>7,763,804</u>	<u>516,679</u>	<u>6.24%</u>
Excess (Deficit) of Revenues					
Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,399</u>	<u>\$ 799,399</u>	<u>9.65%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CUMBERLAND COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>Variance % Favorable (Unfavorable)</u>
REVENUES					
From local sources					
Earnings on investments	\$ -	\$ -	\$ 50	\$ 50	100.00%
Intergovernmental - state	383,655	382,110	359,153	(22,957)	-6.01%
Intergovernmental - Federal	1,102,065	1,371,524	1,201,455	(170,069)	-12.40%
Inter-fund transfers	23,056	19,397	19,397	-	0.00%
TOTAL REVENUES	<u>1,508,776</u>	<u>1,773,031</u>	<u>1,580,055</u>	<u>(192,976)</u>	<u>-10.88%</u>
EXPENDITURES					
Instructional	1,012,283	1,293,512	1,162,407	131,105	10.14%
Student services:					
Student	12,000	12,000	11,402	598	4.98%
Instructional staff	384,202	369,417	312,578	56,839	15.39%
Student transportation	21,282	21,282	16,848	4,434	20.83%
Community services	79,009	76,820	76,820	-	0.00%
TOTAL EXPENDITURES	<u>1,508,776</u>	<u>1,773,031</u>	<u>1,580,055</u>	<u>192,976</u>	<u>10.88%</u>
Excess (Deficit) of Revenues					
Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CUMBERLAND COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2014

	Building Fund	Capital Outlay Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	\$ 44,050	\$ 18,765	\$ 62,815
Total assets	\$ 44,050	\$ 18,765	\$ 62,815
 LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted:			
SFCC Escrow	\$ 44,050	\$ 18,690	\$ 62,740
Others	-	75	75
Total fund balances	\$ 44,050	\$ 18,765	\$ 62,815

CUMBERLAND COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2014

Revenues	<u>Building Fund</u>	<u>Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Govt. Funds</u>
From local sources				
Property taxes	\$ 335,126	\$ -	\$ -	\$ 335,126
Earning on Investments	90	75	-	165
State sources				
SEEK	317,246	89,982	-	407,228
On Behalf	-	-	143,842	143,842
Total revenues	<u>652,462</u>	<u>90,057</u>	<u>143,842</u>	<u>886,361</u>
Expenditures				
Debt service	-	-	1,121,540	1,121,540
Total expenditures	<u>-</u>	<u>-</u>	<u>1,121,540</u>	<u>1,121,540</u>
Excess (deficit) of revenues over expenditures	<u>652,462</u>	<u>90,057</u>	<u>(977,698)</u>	<u>(235,179)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	926,460	926,460
Operating transfers out	(652,462)	(90,457)	-	(742,919)
Total other financing sources (uses)	<u>(652,462)</u>	<u>(90,457)</u>	<u>926,460</u>	<u>183,541</u>
Net change in fund balances	-	(400)	(51,238)	(51,638)
Fund balance, July 1, 2013	<u>44,050</u>	<u>19,165</u>	<u>51,238</u>	<u>114,453</u>
Fund balance, June 30, 2014	<u>\$ 44,050</u>	<u>\$ 18,765</u>	<u>\$ -</u>	<u>\$ 62,815</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
CUMBERLAND COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In (Out)	Fund Balance June 30, 2014
General	\$ 3,202	\$ 4,476	\$ (4,744)	\$ 4	\$ 2,938
Book	17	-	-	-	17
Library	96	410	(481)	20	45
Concessions	10,479	2,545	(3,030)	-	9,994
Flowers	2,624	1,421	(1,591)	-	2,454
Donation Fund	114	246	(246)	-	114
Student Rewards	79	5,120	(1,940)	(20)	3,239
21st Century	1,097	419	(247)	-	1,269
VSA Grant	3	-	-	(3)	-
Beta	2,948	6,792	(5,461)	-	4,279
FCCLA	1,120	6,032	(6,215)	199	1,136
FFA Club	1,182	17,351	(19,491)	2,650	1,692
Drama Club	999	215	(617)	-	597
STLP	74	170	(219)	-	25
FBLA	3,113	4,740	(3,898)	-	3,955
Academic Team	2,205	2,000	(1,280)	-	2,925
FCS Culinary	-	4,135	(4,069)	570	636
FCA	27	-	-	-	27
Vocational Agriculture	11,463	14,349	(10,162)	(3,000)	12,650
Industrial Tech	451	2,715	(2,678)	-	488
Art	256	485	(683)	-	58
English	589	360	(144)	-	805
Biology	724	-	-	-	724
Spanish	1,250	720	(672)	-	1,298
Special Education	340	-	-	-	340
Book Club	330	-	(294)	-	36
Athletic	52,999	43,901	(48,107)	164	48,957
Cheerleading	811	-	(274)	-	537
Archery	164	-	-	(164)	-
Athletic Booster Club	-	52,806	(43,956)	-	8,850
Seniors 2014	132	1,500	(1,506)	(126)	-
Seniors 2015	-	2,749	(2,155)	(95)	499
Yearbook	14,439	5,428	(6,231)	(199)	13,437
Guidance	321	405	(636)	-	90
Lewis Williams AC	4,335	-	(900)	-	3,435
Total	<u>\$ 117,983</u>	<u>\$ 181,490</u>	<u>\$ (171,927)</u>	<u>\$ -</u>	<u>\$ 127,546</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Schools	Fund Balance June 30, 2013	Receipts	Disburse- ments	Fund Balance June 30, 2014
Cumberland County				
Elementary School	\$ 28,446	\$ 122,731	\$ (113,376)	\$ 37,801
Middle School	75,392	108,384	(110,652)	73,124
Family Resource Savings	11,963	130	-	12,093
Family Resource Center	33,513	7,374	(12,077)	28,810
Total	<u>\$ 149,314</u>	<u>\$ 238,619</u>	<u>\$ (236,105)</u>	<u>\$ 151,828</u>

CUMBERLAND COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis</u> <u>No.</u>	<u>Federal</u> <u>CFDA</u> <u>No.</u> <u>Cluster</u>	<u>Expenditures</u>	<u>Total By</u> <u>CFDA No.</u>	
U. S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Kentucky Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
School Breakfast Program - Child Nutrition Cluster	2030	10.553	\$ 141,801		
National School Lunch Program - Child Nutrition Cluster	2050	10.555	391,497	\$ 533,298	**
<i>Passed Through Kentucky Department of Agriculture:</i>					
<u>Food Distribution Cluster</u>					
Commodity Supplemental Food Program	2010	10.565	36,151	36,151	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>569,449</u>	
U. S. DEPT. OF EDUCATION					
<i>Passed Through Kentucky Department of Education:</i>					
Adult Education - Core Services / Family Literacy	3734	84.002	24,107		
Adult Education - Prof/Staff Development	3734S	84.002	604		
Recruitment, Retention and Results	3654	84.002	3,556	28,267	
<u>Title I Cluster</u>					
Title I: Part A - Improving Basic Programs	3103	84.010	203,864		
Title I: Part A - Improving Basic Programs	3104	84.010	368,574		
Title I - Deferred Amount	3102T	84.010	2,224		
Title I - Parent Involvement	3103M	84.010	2,408		
Title I - Parent Involvement	3104M	84.010	2,368		
Title I - School Improvement Funds	3202	84.010	14,803	594,241	**
Title I - Migrant Education	3113	84.011	2,342		
Title I - Migrant Education	3114	84.011	9,060	11,402	
<u>Special Education Cluster</u>					
IDEA B - BASIC - Special Education Cluster	3373	84.027	135,224		
IDEA B - BASIC - Special Education Cluster	3374	84.027	46,779		
IDEA B - Preschool - Special Education Cluster	3434	84.173	13,110	195,113	**
Career and Technical Education (Carl D. Perkins)	3483	84.048	968		
Career and Technical Education (Carl D. Perkins)	3483A	84.048	820		
Career and Technical Education (Carl D. Perkins)	3484	84.048	14,671	16,459	
Homeless Children and Youth	3163	84.196	598		
Homeless Children and Youth	3164	84.196	4,717	5,315	
21st Century Community Learning Center - Elementary School	5503E	84.287	63,050		
21st Century Community Learning Center - Elementary School	5502E	84.287	12		
21st Century Community Learning Center - Middle School	5502C	84.287	15,286		
21st Century Community Learning Center - Middle School	5503C	84.287	55,626		
21st Century Community Learning Center - High School	5502	84.287	36,026		
21st Century Community Learning Center - High School	5503	84.287	101,063		
21st Century Community Learning Center - Supplemental Funds	5502J	84.287	3,000		
21st Century Community Learning Center - Summer Program	5503U	84.287	9,673		
21st Century Community Learning Center - Summer Program	5503S	84.287	6,119		
21st Century Community Learning Center - Summer Program	5503Z	84.287	6,515	296,370	**
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	3504	84.358	18,097		
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	3504	84.358	18,097	36,194	
Title II: Part A - High Quality Teachers & Principals	4014	84.367	30,000	30,000	

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CUMBERLAND COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis</u> <u>No.</u>	<u>Federal</u> <u>CFDA</u> <u>No.</u>	<u>Expenditures</u>	<u>Total By</u> <u>CFDA No.</u>
U. S. DEPARTMENT OF EDUCATION (CONTINUED)				
ARRA - School Improvement Grants	5600C	84.388	-	-
Race to the Top	4531	84.413	4,500	4,500
TOTAL U.S. DEPARTMENT OF EDUCATION				1,217,861
APPALACHIAN REGIONAL COMMISSION				
<i>Passed through Morehead State University</i>				
Appalachian Higher Education Network (KY AHED)	6883	23.011	222	222
U.S. DEPARTMENT OF LABOR				
<i>Under contract with Lake Cumberland Area Development District</i>				
Workforce Investment Act - Youth Activity	5883	17.259	1	
Workforce Investment Act - Youth Activity (Out-Of-School)	5883C	17.259	1	
Workforce Investment Act - Youth Activity	5884	17.259	31,474	31,476
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$1,819,008

Tested as Major Program or Cluster **

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the fiscal year ended June 30, 2014

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of the Cumberland County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. The USDA provided \$36,151 of commodities during the year.

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2014

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unmodified

Internal control over financial reporting Yes No

- Material weaknesses identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported
- Noncompliance material to financial statements noted? X

Federal Awards:

Internal control over major programs Yes No

- Material weakness identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Cluster
84.027, 84.173	Special Education Cluster
84.287	21 st Century Learning Cluster

- Dollar threshold used to distinguish between type A and type B programs \$300,000
- Auditee qualified as low-risk auditee? Yes X No _____

Section 2. Financial Statement Findings

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

CUMBERLAND COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2014

Prior Year Comments:

None Noted

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Burkesville, Kentucky

<p>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</p>
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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cumberland County School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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 weakness 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 weakness may exist that have not been identified.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Cumberland County School District in a separate letter dated November 10, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Ross and Company, PLLC
November 10, 2014

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**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cumberland County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract.. 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 Cumberland County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Opinion on Each Major Federal Program

In our opinion, Cumberland County School District complied, in all material respects, with the types compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report Internal Control over Compliance

Management of Cumberland County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cumberland County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance 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 Cumberland County School District's internal control over compliance.

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

Our consideration of the 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 that we consider 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 the 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.

Respectfully Submitted,



Ross & Company, PLLC
November 10, 2014

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RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Cumberland County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2014. This letter does not affect our report dated November 10, 2014, on the financial statements of the Cumberland County School District. The conditions observed are as follows:

Current Year Findings –

2014-01: Deposits over \$100, (CCHS)

Statement of Condition: Receipts collected over \$100 were not deposited timely.

Criteria for Condition: All money collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit it may be held in a secure location per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Deposits were being created with amounts over \$100, however, they were held before being delivered to the bank.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for Correction: Deposits over \$100 should be delivered to the bank on the same day as the deposit is created.

Management Response: The Finance Officer has met with principals and treasurers of each school. This issue has been discussed through faculty meetings/emails. School treasurers have been ask to correct this issue by following proper procedures as to making timely deposits.

CUMBERLAND COUNTY SCHOOL DISTRICT
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
(Continued)

2014-02 Snack sales should be remitted to the Treasure on date of event (CCMS)

Statement of Condition: Snack sales collected over a month span before being remitted to Treasurer.

Criteria for Condition: All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Snack sales were collected over a span of time and not remitted to the treasurer on date of collection.

Effect of the Condition: Money was not remitted timely to treasurer.

Recommendation for

Correction: The Concession form must be completed for each event and every time money is collected from the activity. There shall be two different individuals involved: one individual to collect and count the monies from sales and a separate individual to complete the Inventory Control Worksheet (F-SA-5).

Management Response: The Finance Officer has met with principals and treasurers of each school. This issue has been discussed through faculty meetings/emails. School treasurers have been ask to correct this issue by following proper procedures as to making timely deposits.

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

Prior year comments-

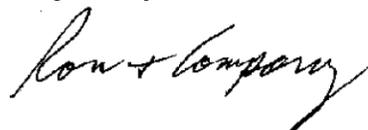
2013-01: Handling Cash, (Redbook): (CORRECTED)

2013-02 Insufficient Funds Recording (Redbook): (CORRECTED)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,



Ross & Company, PLLC
November 10, 2014