

PERRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2014

PERRY COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits  
Members of Perry County Board of Education  
Hazard, Kentucky

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Perry 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 4-9 and 43-44 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 Perry County School District's basic financial statements. The 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual 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 subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the Perry County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perry County School District's internal control over financial reporting and compliance.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

November 3, 2014

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

As management of the Perry County School 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. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including temporary investment accounts and activity funds, for the District was \$11,345,708. The ending cash balance, including temporary investment accounts and activity funds, for the District was \$7,417,580. This includes the deficit balance in Fund 2, \$952,356. Of this amount, \$3,660,916 was in the Building Fund and \$439,995 in the construction fund.
- Facilities acquisition and construction for the year ended and as reflected in the fund financial statements, \$2,939,619, include conclusion of construction expenditures for the East Perry Elementary School and Athletic Complex facilities.
- Interest revenue totaled \$141,884 for the year ended and for the prior year the total interest revenue was \$247,504.
- The District's total long-term debt principal reductions were \$2,115,584.
- Total general fund revenue was \$30,504,085 consisting primarily of state program (SEEK), property, utilities, and motor vehicle taxes. Excluding general fund transfers, there were \$31,066,743 in general fund expenditures. The general fund revenue and expenditures include \$6,169,999 in state on-behalf payments.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2014

**Government-wide financial statements**

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

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

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

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

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

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

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2014, assets exceeded liabilities by \$26,998,865.

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

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

**Net position for the year ended June 30, 2014**

Below is a comparison of net position:

	June 30,	
	<u>2014</u>	<u>2013</u>
Current assets	9,775,086	12,295,020
Noncurrent assets	55,505,456	53,945,978
Deferred outflows of resources	<u>51,060</u>	<u>-</u>
<u>Total assets and outflows of resources</u>	<u>65,331,602</u>	<u>66,240,998</u>
Current liabilities	4,273,431	5,300,947
Noncurrent liabilities	34,058,589	35,543,192
Deferred inflows of resources	<u>717</u>	<u>-</u>
<u>Total liabilities and inflows of resources</u>	<u>38,332,737</u>	<u>40,844,139</u>
- Net position -		
Investment in capital assets (net of debt)	19,269,920	15,594,858
Restricted	5,819,378	7,005,559
Unrestricted	<u>1,909,567</u>	<u>2,796,442</u>
<u>Total net position</u>	<u>26,998,865</u>	<u>25,396,859</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>65,331,602</u>	<u>66,240,998</u>

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2014

The following are significant current year transactions that impact the Statement of Net Assets:

- Decrease in current restricted cash and cash equivalents used in construction financing.
- Non-current assets increases include additions for Athletic Complex and East Perry Elementary School construction.
- Decrease in current liabilities for the year ended June 30, 2014 were primarily due to \$1,805,587 in construction related liabilities reflected at end of the previous year.
- Long-term debt includes decreases in debt principal of \$2,115,584 for the year ended June 30, 2014. \$1,046,822 of this amount was on-behalf state payments.

The following table presents a comparison of statement of activities for the fiscal years ended June 30, 2014 and 2013:

Revenues:	For Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Local revenue sources	10,480,825	10,104,456
State revenue sources	27,102,108	28,548,555
Federal revenue	<u>8,564,568</u>	<u>8,198,482</u>
<u>Total revenues</u>	<u>46,147,501</u>	<u>46,851,493</u>
Expenses:		
Instruction	25,143,620	25,048,593
Student support services	1,664,938	1,758,607
Instructional support	2,343,335	2,181,068
District administration	830,669	873,660
School administration	2,178,766	2,170,101
Business support	943,991	940,668
Plant operation	4,025,514	3,770,143
Student transportation	3,021,236	2,993,509
Food service operations	3,390,835	2,897,307
Community services	547,081	564,115
Day care operations	29,293	38,208
Interest on long-term debt	711,243	848,535
Other	<u>224,293</u>	<u>-</u>
<u>Total expenses</u>	<u>45,054,814</u>	<u>44,084,514</u>
<u>Revenues in excess of expenses</u>	<u>1,092,687</u>	<u>2,766,979</u>

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2014

- Current year expense reflects depreciation in the amount of \$2,148,398 and state on-behalf payments in the amount of \$6,334,050. Prior year expense reflects depreciation in the amount of \$1,676,424 and state on-behalf payments in the amount of \$6,417,623.
- Local property tax comparisons at 2013 and 2014 are as follows: General property tax – \$3,078,915 and \$3,089,653; unmined minerals tax - \$1,314,785 and \$1,253,318; and, motor vehicle tax - \$874,169 and \$896,234 and utility tax revenue, \$1,548,319 and \$1,611,771.
- Local revenue sources for 2014 includes \$310,305 insurance proceeds for flood damages at various locations around the District and \$100,000 in proceeds for sale of real property.
- SEEK program fiscal year end General Fund revenue was \$17,003,173 for year ending June 30, 2013 and for 2014 was \$16,282,664.

**BUDGET COMPARISONS**

The following table presents a comparison of budget to actual for the general fund for the fiscal year ended June 30, 2014:

	Budget <u>2014</u>	Actual <u>2014</u>	Variance <u>I (D)</u>
Revenues:			
Local revenue sources	7,603,618	7,853,701	250,083
State revenue sources	22,626,050	22,579,948	(46,102)
Federal revenue sources	<u>25,000</u>	<u>70,436</u>	<u>45,436</u>
<u>Total revenues</u>	<u>30,254,668</u>	<u>30,504,085</u>	<u>249,417</u>
Expenses:			
Instruction	19,620,619	18,224,564	1,396,055
Student support services	1,738,329	1,651,387	86,942
Instructional support	842,113	847,573	(5,460)
District administration	824,818	829,852	(5,034)
School administration	2,158,645	2,178,766	(20,121)
Business support	965,647	938,834	26,813
Plant operation and management	3,533,211	3,570,086	(36,875)
Student transportation	2,407,859	2,593,703	(185,844)
Food service operations	600	-	600
Community services	4,905	3,869	1,036
Debt service	-	228,109	(228,109)
Contingencies	<u>1,039,215</u>	<u>-</u>	<u>1,039,215</u>
<u>Total expenses</u>	<u>33,135,961</u>	<u>31,066,743</u>	<u>2,069,218</u>
<u>Excess (deficiency) of revenue over expenditures</u>	<u>(2,881,293)</u>	<u>(562,658)</u>	<u>2,318,635</u>

PERRY COUNTY SCHOOL DISTRICT  
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2014

- Actual revenues and expenditures reflect state on behalf payments in the amount of \$6,169,999.
- Actual local revenue psc property tax, exceeded budgeted revenue in the amount of \$140,608.
- Actual local revenue reflects unbudgeted omitted property tax in the amount of \$150,991.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,039,215 in contingency (3.14%) for the fiscal year ended June 30, 2014.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent years budgets.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 439-5813.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITIONAt June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
- Current assets -			
Cash and cash equivalents - unrestricted	2,403,757	-	2,403,757
Cash and cash equivalents - restricted	4,100,911	1,402,589	5,503,500
Accounts receivable:			
Taxes - current	428,599	-	428,599
Taxes - delinquent	111,431	-	111,431
Other	54,748	-	54,748
Intergovernmental - state	58,578	-	58,578
Intergovernmental -indirect federal	983,490	168,594	1,152,084
Inventories	-	62,389	62,389
<u>Total current assets</u>	<u>8,141,514</u>	<u>1,633,572</u>	<u>9,775,086</u>
- Noncurrent assets -			
Unamortized discounts	170,780	-	170,780
Capital assets - non-depreciable	5,509,021	-	5,509,021
Capital assets - depreciable (net)	49,649,736	175,919	49,825,655
<u>Total noncurrent assets</u>	<u>55,329,537</u>	<u>175,919</u>	<u>55,505,456</u>
<u>Total assets</u>	<u>63,471,051</u>	<u>1,809,491</u>	<u>65,280,542</u>
<b>Deferred Outflows of Resources:</b>			
Deferred savings from refunding bonds	51,060	-	51,060
<u>Total deferred outflows of resources</u>	<u>51,060</u>	<u>-</u>	<u>51,060</u>
<u>Total assets and deferred outflows of resources</u>	<u>63,522,111</u>	<u>1,809,491</u>	<u>65,331,602</u>
<b>Liabilities:</b>			
- Current liabilities -			
Cash deficit	952,356	-	952,356
Accounts payable	344,826	38,328	383,154
Current portion of bond/lease obligations	2,168,275	-	2,168,275
Current portion of KSBIT obligation	56,073	-	56,073
Interest payable	713,573	-	713,573
<u>Total current liabilities</u>	<u>4,235,103</u>	<u>38,328</u>	<u>4,273,431</u>
- Noncurrent liabilities -			
Long term portion of accrued sick leave payable	536,681	-	536,681
Long term portion of KSBIT obligation	168,220	-	168,220
Noncurrent portion of bond/lease obligations	33,353,688	-	33,353,688
<u>Total noncurrent liabilities</u>	<u>34,058,589</u>	<u>-</u>	<u>34,058,589</u>
<u>Total liabilities</u>	<u>38,293,692</u>	<u>38,328</u>	<u>38,332,020</u>
<b>Deferred Inflows of Resources:</b>			
Unearned revenues - governmental sources	717	-	717
<u>Total deferred inflows of resources</u>	<u>717</u>	<u>-</u>	<u>717</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	19,094,001	175,919	19,269,920
Restricted for:			
Sick Leave	138,223	-	138,223
Other	4,085,911	1,595,244	5,681,155
Unrestricted	1,909,567	-	1,909,567
<u>Total net position</u>	<u>25,227,702</u>	<u>1,771,163</u>	<u>26,998,865</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>63,522,111</u>	<u>1,809,491</u>	<u>65,331,602</u>

See notes to financial statements.

11.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
<b>FUNCTIONS/PROGRAMS:</b>				
- Governmental Activities -				
Instruction	25,143,620	-	(9,377,183)	-
Support services:				
Student	1,664,938	-	(426,681)	-
Instructional staff	2,343,335	-	(1,569,466)	-
District administration	830,669	-	(71,368)	-
School administration	2,178,766	-	(467,903)	-
Business support	943,991	-	(158,217)	-
Plant operation & management	4,025,514	-	(296,384)	-
Student transportation	3,021,236	-	(428,364)	-
Food service operations	(1,492)	-	(194,852)	-
Community services operations	547,081	-	(547,953)	-
Interest on long-term debt	711,243	-	-	-
<b><u>Total governmental activities</u></b>	<u>41,408,901</u>	<u>-</u>	<u>(13,538,371)</u>	<u>-</u>
- Business-type Activities -				
Food service	3,392,327	(380,031)	(3,701,472)	-
Day care	29,293	(35,187)	-	-
<b><u>Total business-type activities</u></b>	<u>3,421,620</u>	<u>(415,218)</u>	<u>(3,701,472)</u>	<u>-</u>
<b><u>Total primary government</u></b>	<u>44,830,521</u>	<u>(415,218)</u>	<u>(17,239,843)</u>	<u>-</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIES (continued)For the Year Ended June 30, 2014

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	
	(15,766,437)	-	(15,766,437)
	(1,238,257)	-	(1,238,257)
	(773,869)	-	(773,869)
	(759,301)	-	(759,301)
	(1,710,863)	-	(1,710,863)
	(785,774)	-	(785,774)
	(3,729,130)	-	(3,729,130)
	(2,592,872)	-	(2,592,872)
	196,344	-	196,344
	872	-	872
	<u>(711,243)</u>	<u>-</u>	<u>(711,243)</u>
	<u>(27,870,530)</u>	<u>-</u>	<u>(27,870,530)</u>
	-	689,176	689,176
	<u>-</u>	<u>5,894</u>	<u>5,894</u>
	<u>-</u>	<u>695,070</u>	<u>695,070</u>
	<u>(27,870,530)</u>	<u>695,070</u>	<u>(27,175,460)</u>
<b>General revenues:</b>			
Taxes	9,249,380	-	9,249,380
Investment earnings	125,942	15,942	141,884
State and formula grants	18,426,833	-	18,426,833
Miscellaneous	674,343	-	674,343
Loss on KSBIT settlement	<u>(224,293)</u>	<u>-</u>	<u>(224,293)</u>
<b><u>Total general revenues</u></b>	<u>28,252,205</u>	<u>15,942</u>	<u>28,268,147</u>
Change in net position	381,675	711,012	1,092,687
Net position - beginning of year (restated)	<u>24,846,027</u>	<u>1,060,151</u>	<u>25,906,178</u>
Net position - ending of year	<u>25,227,702</u>	<u>1,771,163</u>	<u>26,998,865</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

At June 30, 2014

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>FSPK</u> <u>Fund</u>	<u>Other</u> <u>Gov't</u> <u>Funds</u>	<u>Total</u> <u>Gov't</u> <u>Funds</u>
<b>Assets and resources:</b>					
Cash and cash equivalents - unrestricted	2,403,757	-	-	-	2,403,757
Cash and cash equivalents - restricted	-	-	3,660,916	439,995	4,100,911
Accounts receivable:					
Taxes - current	428,599	-	-	-	428,599
Taxes - delinquent	111,431	-	-	-	111,431
Other	35,861	18,887	-	-	54,748
Intergovernmental - state	10,000	48,578	-	-	58,578
Intergovernmental - indirect federal	-	983,490	-	-	983,490
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total assets and resources</u>	<u>2,989,648</u>	<u>1,050,955</u>	<u>3,660,916</u>	<u>439,995</u>	<u>8,141,514</u>
<b>Liabilities:</b>					
Cash deficit	-	952,356	-	-	952,356
Accounts payable	231,944	97,882	-	15,000	344,826
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total liabilities</u>	<u>231,944</u>	<u>1,050,238</u>	<u>-</u>	<u>15,000</u>	<u>1,297,182</u>
<b>Deferred Inflows of Resources:</b>					
Unearned revenues - governmental sources	-	717	-	-	717
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total deferred inflows of resources</u>	<u>-</u>	<u>717</u>	<u>-</u>	<u>-</u>	<u>717</u>
<b>Fund balances</b>					
Restricted for SFCC Escrow - prior	-	-	2,165,894	-	2,165,894
Restricted for SFCC Escrow - current	-	-	811,213	-	811,213
Restricted for future construction	-	-	-	424,995	424,995
Restricted for sick leave	138,223	-	-	-	138,223
Restricted - other	-	-	683,809	-	683,809
Unassigned fund balance	2,619,481	-	-	-	2,619,481
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Total fund balances</u>	<u>2,757,704</u>	<u>-</u>	<u>3,660,916</u>	<u>424,995</u>	<u>6,843,615</u>
<u>Total liabilities deferred inflows of resources and fund balances</u>	<u>2,989,648</u>	<u>1,050,955</u>	<u>3,660,916</u>	<u>439,995</u>	<u>8,141,514</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONAt June 30, 2014

Total fund balance per fund financial statements	6,843,615
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net position.	55,158,757
Unamortized discounts on prior bond issues are not recognized in the fund financial statements.	170,780
Deferred outflow of resource account balances related to recognition of refunding bond activity are not recognized in the fund financial statements.	51,060
Long-term accrued sick leave payable is not recognized in the fund financial statements.	(536,681)
Other liabilities related to KSBIT insurance settlements are not recognized in the fund financial statements but are expensed as incurred.	(224,293)
Certain liabilities (such as bonds payable and accrued interest) are not reported in this fund financial statement because they are not due and payable, but are presented in the statement of net position.	<u>(36,235,536)</u>
Net position for governmental activities	<u><u>25,227,702</u></u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General <u>Fund</u>	Special <u>Revenue</u>	FSPK <u>Fund</u>	Other <u>Gov't Funds</u>	Total <u>Gov't Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes	7,644,334	-	1,605,046	-	9,249,380
Earnings on investments	125,158	-	-	784	125,942
Other local revenue	84,209	166,775	-	-	250,984
Intergovernmental - state	22,579,948	1,992,833	982,048	1,355,857	26,910,686
Intergovernmental - direct federal	-	115,228	-	-	115,228
Intergovernmental - indirect federal	70,436	4,868,854	-	-	4,939,290
<b><u>Total revenues</u></b>	<u>30,504,085</u>	<u>7,143,690</u>	<u>2,587,094</u>	<u>1,356,641</u>	<u>41,591,510</u>
<b>Expenditures:</b>					
Instructional	18,224,564	4,978,572	-	-	23,203,136
Student support services	1,651,387	13,551	-	-	1,664,938
Staff support services	847,573	1,495,762	-	-	2,343,335
District administration	829,852	817	-	-	830,669
School administration	2,178,766	-	-	-	2,178,766
Business support	938,834	5,157	-	-	943,991
Plant operations and maintenance	3,570,086	21,150	-	356,841	3,948,077
Student transportation	2,593,703	129,328	-	-	2,723,031
Food service operations	-	16,773	-	-	16,773
Community service activities	3,869	543,212	-	-	547,081
Facilities acquisition and construction	-	-	-	2,939,619	2,939,619
Debt service:					
Principal	196,149	-	-	1,930,286	2,126,435
Interest	31,960	-	-	649,414	681,374
<b><u>Total expenditures</u></b>	<u>31,066,743</u>	<u>7,204,322</u>	<u>-</u>	<u>5,876,160</u>	<u>44,147,225</u>
Excess (deficit) of revenues over expenditures	<u>(562,658)</u>	<u>(60,632)</u>	<u>2,587,094</u>	<u>(4,519,519)</u>	<u>(2,555,715)</u>
<b>Other financing sources (uses):</b>					
Bond proceeds	-	-	-	298	298
Operating transfers in	19,727	437,709	-	1,903,285	2,360,721
Operating transfers out	(62,094)	(377,077)	(1,903,285)	-	(2,342,456)
Gains (losses) on assets	423,359	-	-	-	423,359
<b><u>Total other financing sources (uses)</u></b>	<u>380,992</u>	<u>60,632</u>	<u>(1,903,285)</u>	<u>1,903,583</u>	<u>441,922</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	(181,666)	-	683,809	(2,615,936)	(2,113,793)
<b>Fund balance - July 1, 2013</b>	<u>2,939,370</u>	<u>-</u>	<u>2,977,107</u>	<u>3,040,931</u>	<u>8,957,408</u>
<b>Fund balance - June 30, 2014</b>	<u>2,757,704</u>	<u>-</u>	<u>3,660,916</u>	<u>424,995</u>	<u>6,843,615</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2014

Net change in total fund balances per fund financial statements	(2,113,793)
Amounts reported for governmental activities in the statement of activities differences:	
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but are presented as assets in the statement of activities and depreciated over their estimated useful economic lives. The difference is the amount by which capital outlay exceeds depreciation adjustments for the year.	2,939,619
Depreciation expense is recognized in the government wide financial statements.	(2,112,787)
Interest expense is recognized when paid in the fund financial statements regarding long term debt but recognized as a liability for government - wide purposes.	(30,167)
Long term sick leave liability is recognized only in the government wide financial statements.	(203,339)
An extraordinary expense was recognized in the government wide financial statements related to a KSBIT settlement. This is recognized when paid in the fund financial statements.	(224,293)
Bond principal payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets.	<u>2,126,435</u>
Change in net position of governmental activities	<u><u>381,675</u></u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITION – PROPRIETARY FUNDSAt June 30, 2014

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents - restricted	1,395,832	6,757	1,402,589
Accounts receivable	168,594	-	168,594
Inventories	<u>62,389</u>	<u>-</u>	<u>62,389</u>
<u>Total current assets</u>	<u>1,626,815</u>	<u>6,757</u>	<u>1,633,572</u>
- Noncurrent Assets -			
Depreciable capital assets - net	<u>175,919</u>	<u>-</u>	<u>175,919</u>
<u>Total assets</u>	<u>1,802,734</u>	<u>6,757</u>	<u>1,809,491</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	<u>37,465</u>	<u>863</u>	<u>38,328</u>
<u>Total current liabilities</u>	<u>37,465</u>	<u>863</u>	<u>38,328</u>
<b>Net position:</b>			
Investments in capital assets	175,919	-	175,919
Restricted for inventories	62,389	-	62,389
Restricted - other	<u>1,526,961</u>	<u>5,894</u>	<u>1,532,855</u>
<u>Total net position</u>	<u>1,765,269</u>	<u>5,894</u>	<u>1,771,163</u>
<u>Total liabilities and net position</u>	<u>1,802,734</u>	<u>6,757</u>	<u>1,809,491</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Food service <u>Fund</u>	Day Care <u>Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Revenues from local sources	381,405	-	381,405
Federal grants	3,369,028	-	3,369,028
State grants/on-behalf payments	190,048	-	190,048
Donated commodities	141,022	-	141,022
Tuition from individuals	-	35,187	35,187
	<u>4,081,503</u>	<u>35,187</u>	<u>4,116,690</u>
<b>Operating expense:</b>			
Salaries and wages	1,282,135	25,013	1,307,148
Contract services	143,245	-	143,245
Materials and supplies	1,702,181	4,280	1,706,461
Depreciation	35,611	-	35,611
Other operating expenses	206,862	-	206,862
	<u>3,370,034</u>	<u>29,293</u>	<u>3,399,327</u>
<u>Operating income (loss)</u>	<u>711,469</u>	<u>5,894</u>	<u>717,363</u>
<b>Nonoperating Revenue/(Expense):</b>			
Interest income	15,942	-	15,942
Loss on disposal of equipment	(4,028)	-	(4,028)
Transfers in (out)	(18,265)	-	(18,265)
	<u>(6,351)</u>	<u>-</u>	<u>(6,351)</u>
<u>Change in net position</u>	705,118	5,894	711,012
Net Position, July 1, 2013	<u>1,060,151</u>	<u>-</u>	<u>1,060,151</u>
Net Position, June 30, 2014	<u>1,765,269</u>	<u>5,894</u>	<u>1,771,163</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS – PROPRIETARY FUNDSFor the Year Ended June 30, 2014

	<u>Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from:			
Lunchroom sales	381,405	-	381,405
Federal and State grants	3,462,239	-	3,462,239
Tuition from individuals	-	35,187	35,187
Cash paid to/for:			
Employees	(1,118,084)	(25,013)	(1,143,097)
Supplies/Contractual	(1,695,492)	(3,832)	(1,699,324)
Other activities	(206,862)	-	(206,862)
	<u>823,206</u>	<u>6,342</u>	<u>829,548</u>
<b>Net cash provided (used) by operating activities</b>			
<b>Cash flows from capital and related financing activities:</b>			
Change in capital assets (net)	-	-	-
<b>Cash flows from investing activities:</b>			
Interest income	15,942	-	15,942
<b>Cash flows from financing activities:</b>			
Transfers from (to) other funds	(18,265)	-	(18,265)
Net increase (decrease) in cash	820,883	6,342	827,225
Cash, beginning of year	574,949	415	575,364
Cash, end of year	<u>1,395,832</u>	<u>6,757</u>	<u>1,402,589</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	711,469	5,894	717,363
Adjustments to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	35,611	-	35,611
Changes in current assets/liabilities			
Accounts receivable	67,214	-	67,214
Inventory	(19,235)	-	(19,235)
Accounts payable	28,147	448	28,595
	<u>823,206</u>	<u>6,342</u>	<u>829,548</u>
<b>Net cash provided (used) by operating activities</b>			

The schedule reflects reconciliation for \$164,051 of non-cash on-behalf payments from the State related to personnel costs and \$141,022 related to donated commodities.

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION – ACTIVITY FUNDSAt June 30, 2014

<b>Assets:</b>	
Cash and cash equivalents	462,679
Accounts receivable	<u>7,546</u>
<u>Total assets</u>	<u>470,225</u>
<b>Liabilities:</b>	
Accounts payable	7,402
Due to individual student activity account funds	<u>462,823</u>
<u>Total liabilities</u>	<u>470,225</u>
<b>Net Postion:</b>	
Permanently restricted reserve for scholarships	<u>-</u>
<u>Total liabilities and net position</u>	<u>470,225</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Perry County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Perry County School District Finance Corporation – On July 12, 1988, the Perry County, Kentucky, Board of Education resolved to authorize the establishment of the Perry 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 Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Perry County Board of Education also comprise the Corporations’ Board of Directors.

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

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation

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

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

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

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

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) 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.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recognized for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

The Childcare fund accounts for revenues and expenditures related to daycare services and preschool activities.

III. Fiduciary Fund Types (includes agency and trust funds)

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

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements,

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. On the accrual basis of accounting, unamortized deferred charges on debt refunding is reported as a deferred outflow of resources.

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.502 per \$100 valuation for real property, \$.502 per \$100 valuation for business personal property and \$.497 per \$100 valuation for motor vehicles.

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

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Capital Assets

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

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

All reported capital assets are depreciated, except for land and construction in progress. 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>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2014.

The District has restricted \$138,223 of its fund balance for future sick leave payments.

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Cash and other assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for acquisition and construction of capital improvements.

Inventories

Supplies and materials are charged to expenditures when purchased.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accrued Liabilities and Long-Term Obligations

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

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

Net Position

GASB 63, implemented for the previous fiscal year, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets, " consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the District or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Interfund Activity (continued)

Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Recently Issued Accounting Pronouncements

GASB Statement 65, implemented during the 2013-14 reporting year, establishes accounting and financial reporting standards that reclassify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources, provides changes in the determination of the major fund calculations and limiting the use of “deferred” in financial statement presentations.

GASB Statement No. 66, *Technical Corrections—2012; an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District implemented the new requirements for fiscal year 2013-2014 financial statements.

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District’s cash and cash equivalents was \$8,981,393. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The funds of the District are deposited and invested under the terms of a contract, contents of which are set out in the bond of depositors for public school funds. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE C – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). All of the District's deposits were collateralized with securities held in the financial institution's names. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

Cash and cash equivalents at June 30, 2014 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Peoples Bank & Trust		
General operations	8,486,586	6,954,900
A.B. Combs Elementary	43,194	42,283
Buckhorn School	43,621	42,938
Chavies Elementary	44,693	38,306
East Perry Elementary	110,316	100,990
Leatherwood Elementary	9,994	9,000
Perry County Central High School	109,225	103,559
Robinson Elementary	28,526	27,042
R.W. Combs Elementary	52,031	48,971
Viper Elementary	34,143	30,935
Willard Elementary	19,064	18,656
	<u>8,981,393</u>	<u>7,417,580</u>
<u>Total</u>		

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
September 2001	1,865,000	3.50% - 4.75%
Revenue June 2004	3,865,000	2.70% - 4.90%
KISTA January 2005	779,290	3.00% - 3.625%
Revenue Bonds July 2006	3,015,000	3.70% - 4.375%
KISTA 2009	890,356	2.00% - 3.80%
Refunding February 2010	1,870,000	1.00% - 3.00%
Revenue January 2011	1,935,000	1.50% - 4.75%
Revenue 2nd Series December 2011	6,745,000	2.00% - 3.25%
QSCB Construction Bonds December 2011	13,300,000	5.00% - 5.00%
Refunding Revenue June 2012	3,360,000	1.10% - 2.25%
KISTA 2013	355,834	2.00% - 2.00%
Revenue Series September 2012	6,635,000	2.00% - 3.00%

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

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt and are considered defeased by the District.

The Perry County School District Finance Corporation issued Series 2014 school building refunding revenue bonds dated July 1, 2014 to refund the District's September 2001 bond issue. The par amount of the bonds were \$1,420,000. The refunding resulted in \$110,525.14 savings to the District. Total bond issue costs were \$23,719.80. The refunding will be recognized in the 2014-15 financial statements.

Perry County School District Finance Corporation issued Qualified School Construction Bonds, taxable series dated December 1, 2011 having a par amount of \$13,300,000. Of this amount, \$13,137,337 of the proceeds were deposited directly to the construction fund for assistance in new building facilities for an elementary school. Total bond issue costs were \$54,660. The bond was issued at a discount of \$118,503.

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

Fiscal Year <u>End</u>	QSCB Series 2011 Escrow Payment		Expected Escrow Earnings	QSCB Series 2011 Interest	
	<u>Board</u>	<u>KSFCC</u>		<u>Total</u>	<u>Tax Credit</u>
2013	378,800	174,406	6,987	665,000	(665,000)
2014	371,065	182,141	21,227	665,000	(665,000)
2015	367,943	185,263	35,829	665,000	(665,000)
2016	368,343	184,863	50,802	665,000	(665,000)
2017	369,020	184,186	66,155	665,000	(665,000)
2018	373,136	180,070	81,899	665,000	(665,000)
2019	370,799	182,407	98,043	665,000	(665,000)
2020	378,801	174,405	114,598	665,000	(665,000)
2021	378,800	174,406	131,573	665,000	(665,000)
2022	378,800	174,406	148,980	665,000	(665,000)
2023	378,800	174,406	166,829	665,000	(665,000)
2024	378,801	174,405	185,132	665,000	(665,000)
2025	378,800	174,406	203,900	665,000	(665,000)
2026	378,800	174,406	223,145	665,000	(665,000)
2027	378,800	174,406	242,880	665,000	(665,000)
2028	378,800	174,405	263,116	665,000	(665,000)
2029	378,801	174,405	283,866	665,000	(665,000)
2030	366,213	186,993	305,144	665,000	(665,000)
2031	<u>378,800</u>	<u>174,406</u>	<u>158,982</u>	<u>332,500</u>	<u>(332,500)</u>
subtotal	7,132,122	3,378,791	2,789,087	12,302,500	(12,302,500)
realized	<u>(749,865)</u>	<u>(356,547)</u>	<u>(28,214)</u>	<u>(1,330,000)</u>	<u>1,330,000</u>
future	<u>6,382,257</u>	<u>3,022,244</u>	<u>2,760,873</u>	<u>10,972,500</u>	<u>(10,972,500)</u>
Principal payment due 12/1/2030			<u>13,300,000</u>		

\$332,500 semi-annual interest payments are due every June and December through December 1, 2030. A federal tax credit for the same amount has been granted for each bondholder resulting in a subsidy/federal on-behalf payment for the School District. The action is a result of creation of qualified school construction bonds under the American Recovery and Reinvestment Act. The Act allows deferral of principal payments for up to 17 years and the creation of an escrow account as noted above. The bonds provide federal tax credits for bondholders in lieu of interest in order to significantly reduce the issuer's cost of borrowing. The A-133 Compliance Supplement acknowledges Qualified School Construction Bonds passed through the U.S. Department of Education are not covered by the single audit requirement and are not required to be included in the Schedule of Expenditures of Federal Awards.

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

Debt issue costs are recognized as expenditures when incurred in governmental funds, government-wide and proprietary fund type financial statements.

In 1988, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The following table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>Board</u>	<u>KSFCC</u>	<u>Board</u>	<u>KSFCC</u>	
2014 - 15	956,125	623,115	436,282	233,711	2,249,233
2015 - 16	901,330	625,036	410,808	219,723	2,156,897
2016 - 17	909,724	639,774	387,182	205,016	2,141,696
2017 - 18	940,300	659,831	361,661	189,074	2,150,866
2018 - 19	967,522	620,994	332,280	172,319	2,093,115
2019 - 24	3,824,182	2,463,658	1,276,889	665,527	8,230,256
2024 - 29	3,293,509	1,996,491	747,159	313,403	6,350,562
2029 - 33	2,916,532	1,018,466	189,932	48,295	4,173,225
<u>Totals</u>	<u>14,709,224</u>	<u>8,647,365</u>	<u>4,142,193</u>	<u>2,047,068</u>	<u>29,545,850</u>

Following are changes in long-term debt:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Principal</u>
September 2001	1,585,000	-	(215,000)	1,370,000	215,000
Revenue June 2004	230,000	-	(230,000)	-	-
KISTA Series January 2005	146,680	-	(72,111)	74,569	74,569
Revenue July 2006	2,515,000	-	(140,000)	2,375,000	145,000
KISTA Series 2009	565,226	-	(85,034)	480,192	90,036
Refunding February 2010	1,175,000	-	(195,000)	980,000	195,000
Revenue January 2011	1,905,000	-	(75,000)	1,830,000	75,000
Rev.2nd Series December 2011	6,480,000	-	(265,000)	6,215,000	270,000
QSCB Bonds December 2011	12,739,807	-	(574,433)	12,165,374	589,035
Refunding Revenue June 2012	3,305,000	-	(55,000)	3,250,000	300,000
KISTA Series 2013	355,834	-	(39,006)	316,828	39,635
Revenue Series September 2012	6,635,000	-	(170,000)	6,465,000	175,000
<u>Total</u>	<u>37,637,547</u>	<u>-</u>	<u>(2,115,584)</u>	<u>35,521,963</u>	<u>2,168,275</u>

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE E – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental Activities</u>				
Land	4,975,533	541,488	8,000	5,509,021
Land improvements	3,320,282	-	121,861	3,198,421
Buildings and improvements	44,738,329	21,797,846	751,000	65,785,175
Technology equipment	4,361,286	682,023	693,828	4,349,481
Vehicles	5,113,799	-	16,400	5,097,399
General equipment	2,335,128	44,199	201,613	2,177,714
Construction in progress	18,960,554	-	18,960,554	-
<u>Totals at historical cost</u>	<u>83,804,911</u>	<u>23,065,556</u>	<u>20,753,256</u>	<u>86,117,211</u>
Less: accumulated depreciation				
Land and improvements	3,068,788	72,011	107,273	3,033,526
Buildings and improvements	17,701,416	1,286,306	549,733	18,437,989
Technology equipment	3,521,087	441,528	675,508	3,287,107
Vehicles	3,810,573	298,206	16,400	4,092,379
General equipment	2,290,693	14,736	197,976	2,107,453
<u>Total accumulated depreciation</u>	<u>30,392,557</u>	<u>2,112,787</u>	<u>1,546,890</u>	<u>30,958,454</u>
Governmental Activities				
<u>Capital Assets - Net</u>	<u>53,412,354</u>	<u>20,952,769</u>	<u>19,206,366</u>	<u>55,158,757</u>
<u>Business-Type Activities</u>				
Building and improvements	14,000	-	-	14,000
Technology	40,340	-	9,358	30,982
Food service and equipment	1,071,940	-	89,130	982,810
<u>Totals at historical cost</u>	<u>1,126,280</u>	<u>-</u>	<u>98,488</u>	<u>1,027,792</u>
Less: accumulated depreciation				
Building and improvements	2,220	1,040	-	3,260
Technology	24,108	-	4,160	19,948
Food service and equipment	884,394	34,571	90,300	828,665
<u>Total accumulated depreciation</u>	<u>910,722</u>	<u>35,611</u>	<u>94,460</u>	<u>851,873</u>
Business-Type Activities				
<u>Capital Assets - Net</u>	<u>215,558</u>	<u>(35,611)</u>	<u>4,028</u>	<u>175,919</u>

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental functions as follows:

Instruction	1,737,145
Plant operation and management	77,437
Student transportation	<u>298,205</u>
<u>Total</u>	<u><u>2,112,787</u></u>

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2014, as follows:

Year ending June 30:	
2015	225,768
2016	225,768
2017	225,768
2018	225,768
2019	<u>-</u>
Total Minimum Rentals	<u><u>903,072</u></u>

NOTE G – RETIREMENT PLANS

Kentucky Teachers Retirement System:

**Pension Plan**

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

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

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE G – RETIREMENT PLANS (continued)

*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 contribution of 14.105%.

**Medical Insurance Plan**

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

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

*Funding Policy* –In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year.

The Perry County Public School District's total payroll for the year was \$24,079,859. The payroll for employees covered under KTRS was \$17,740,937. For the year ended June 30, 2014, the Commonwealth contributed \$2,046,608 to KTRS for the benefit of its participating employees. The School District's contributions to KTRS for the year ending June 30, 2014 were \$570,183 which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a district contribution of 18.89% of the employee's total compensation subject to contributions. Total payroll for employee's covered under CERS was \$5,710,365.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE G – RETIREMENT PLANS (continued)

The contribution requirement for CERS for the year ended June 30, 2014 was \$1,387,581, which consisted of \$1,089,049 from the District and \$298,532 from the employees. The District has no contribution requirement to KTRS.

Following is a summary of benefit contributions paid by the District on-behalf of the employees for the past three years:

Year Ended <u>June 30,</u>	<u>Teacher's Retirement</u>		County <u>Retirement</u>
	<u>District</u>	<u>State</u>	
2014	570,183	2,046,608	1,089,049
2013	550,990	2,122,733	1,109,905
2012	507,117	2,127,696	977,512

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

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

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans’ status as a whole, derived from actuarial valuations performed as of June 30, 2013:

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>% Funded</u>	<u>Covered Payroll</u>	<u>Unfunded as a % of Covered Payroll</u>
County Employee Retirement System (non-hazardous)	<u>5,637.1</u>	<u>9,378.9</u>	<u>3,741.8</u>	<u>60.1</u>	<u>2,236.3</u>	<u>167.3</u>
Teacher's Retirement System of Kentucky	<u>14,962.8</u>	<u>28,817.2</u>	<u>13,854.5</u>	<u>51.9</u>	<u>3,481.1</u>	<u>398.1</u>

Historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial reports.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE G – RETIREMENT PLANS (continued)

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets.

NOTE H – CONTINGENCIES

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

The District was notified Kentucky School Board Insurance Trust dissolved during the previous fiscal year. As a result, penalty payments have been proposed to be passed to local participating Districts based on past premiums or past claims. The District's liability to the KSBIT Workers' Compensation Fund was \$224,293. The District paid \$56,073 of this balance in August 2014 and chose to pay the remaining balance of \$168,220 in six installments equal to 12.5% of the assessment, the first additional installment payment due on August 15, 2015, and the remaining installments due on each August 15 thereafter. The amount of the liability is recorded in the government wide financial statements. A liability is not reflected in the fund financial statements in accordance with GASB Interpretation No. 6, as governmental funds follow the current financial resources measurement focus (modified accrual basis of accounting).

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

NOTE J – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE K – RISK MANAGEMENT

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

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE L – DEFICIT OPERATING/FUND BALANCES

The following funds had deficit balances at June 30, 2014:

NONE

The following funds had operating expenditures in excess of revenues at June 30, 2014:

General Fund	562,658
Buckhorn School Activity Fund	4,274
Chavies Elementary Activity Fund	3,736
Leatherwood Elementary Activity Fund	7,035
RW Combs Elementary Activity Fund	887
Viper Elementary Activity Fund	4,585

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	KETS	62,094
School Food Service	General Fund	Indirect Cost	18,265
General Fund	Construction Fund	Indirect Cost	19,727
Special Revenue	Special Revenue	Transfers among funds	357,350
FSPK Fund	Debt Service	Debt retirement	<u>1,903,285</u>
		Total	<u>2,360,721</u>

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014 were \$-0-.

NOTE P – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2014, fund balances/net position originally reported by the Board to the Kentucky Department of Education with that shown in the accompanying fund financial statements:

	General <u>Fund</u>	Special Revenue <u>Funds</u>	FSPK <u>Fund</u>	Construction <u>Fund</u>	School Food Service <u>Fund</u>	Day Care <u>Fund</u>
Fund Balance/Net Position as reported to the Department of Education	2,698,216	-	3,983,517	102,394	1,404,391	5,894
Adjustment to Fund Balance/Net Position						
(1) To record adjustments to accounts/grants receivable	43,242	99,160	-	-	168,594	-
(2) To record adjustments to accounts payable	(73,755)	(8,442)	-	-	NOTE Q – (2,870)	-
(3) To adjust inventory	-	-	-	-	19,235	-
(4) To record deferred revenue	-	(717)	-	-	-	-
(5) To reclassify cash	90,001	(90,001)	(322,601)	322,601	-	-
(7) To record net fixed assets	-	-	-	-	175,919	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,919</u>	<u>-</u>
Fund Balance/Net Position per fund financial statements at June 30, 2014	<u>2,757,704</u>	<u>-</u>	<u>3,660,916</u>	<u>424,995</u>	<u>1,765,269</u>	<u>5,894</u>

ON-BEHALF PAYMENTS

The following payments made by the state on behalf of employees of the District and for the benefit of the District are recognized in the government-wide financial statements as additional revenue and expenditures for the year ended June 30, 2014:

Kentucky Teacher's Retirement System	2,046,608
Health Insurance	4,451,525
Life Insurance	10,526
Administrative Fees	49,831
Health Reimbursement Account	232,942
Technology	64,341
Debt Service	1,046,822
Less: Federal Reimbursement	<u>(521,724)</u>
Total	<u>7,380,871</u>

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

NOTE Q – ON-BEHALF PAYMENTS (continued)

Payments are allocated among the following funds:

General	6,169,999
Food Service	164,051
Debt Service	<u>1,046,821</u>
<u>Total</u>	<u><u>7,380,871</u></u>

NOTE R – FUND BALANCE REPORTING

The District implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances - *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and do not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2014:

	General Fund	Construction Fund	FSPK Fund	Total
<b>Fund balances</b>				
Restricted for SFCC Escrow - prior	-	-	2,165,894	2,165,894
Restricted for SFCC Escrow - current	-	-	811,213	811,213
Restricted for future construction	-	424,995	-	424,995
Restricted for sick leave	138,223	-	-	138,223
Restricted - other	-	-	683,809	683,809
Unassigned fund balance	<u>2,619,481</u>	<u>-</u>	<u>-</u>	<u>2,619,481</u>
<u>Total</u>	<u><u>2,757,704</u></u>	<u><u>424,995</u></u>	<u><u>3,660,916</u></u>	<u><u>6,843,615</u></u>

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserve fund has not been established. The District's Statement of Net Position reflects a reserve for fixed assets and school food service inventory.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2014NOTE S – RESTATEMENT OF GOVERNMENT WIDE BEGINNING NET POSITION

The District increased its beginning net position in the net amount of \$509,319 for its government wide financial statements for governmental activities as follows: Increase for additional assets attributable to construction of athletic complex and East Perry Elementary School, \$919,571; Decrease for bond issues related to new GASB pronouncements, \$138,182; Decrease for recognition of long-term sick leave, \$333,342 and, increase to recognize deferred outflows related to prior issued refunding issues, \$61,272.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>				
From local sources:				
Taxes	7,421,518	7,471,518	7,644,334	172,816
Earnings on investments	125,000	125,000	125,158	158
Other local revenue	7,100	7,100	84,209	77,109
Intergovernmental - state	16,226,287	22,626,050	22,579,948	(46,102)
Intergovernmental - indirect federal	25,000	25,000	70,436	45,436
	<u>23,804,905</u>	<u>30,254,668</u>	<u>30,504,085</u>	<u>249,417</u>
<b>Expenditures:</b>				
Instructional	14,594,798	19,620,619	18,224,564	1,396,055
Student support services	1,328,391	1,738,329	1,651,387	86,942
Staff support services	682,729	842,113	847,573	(5,460)
District administration	664,405	824,818	829,852	(5,034)
School administration	1,657,525	2,158,645	2,178,766	(20,121)
Business support	720,149	965,647	938,834	26,813
Plant operations and management	3,474,978	3,533,211	3,570,086	(36,875)
Student transportation	2,143,217	2,407,859	2,593,703	(185,844)
Food service operations	600	600	-	600
Community service activities	3,686	4,905	3,869	1,036
Debt service and miscellaneous	-	-	228,109	(228,109)
Contingencies	919,776	1,039,215	-	1,039,215
	<u>26,190,254</u>	<u>33,135,961</u>	<u>31,066,743</u>	<u>2,069,218</u>
Excess (deficit) of revenues over expenditures	<u>(2,385,349)</u>	<u>(2,881,293)</u>	<u>(562,658)</u>	<u>2,318,635</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	30,201	29,998	19,727	(10,271)
Operating transfers out	(60,000)	(60,000)	(62,094)	(2,094)
Gains/losses on assets	15,000	115,000	423,359	308,359
	<u>(14,799)</u>	<u>84,998</u>	<u>380,992</u>	<u>295,994</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	<u>(2,400,148)</u>	<u>(2,796,295)</u>	<u>(181,666)</u>	<u>2,614,629</u>
<b>Fund balance - July 1, 2013</b>	<u>2,400,148</u>	<u>2,796,295</u>	<u>2,801,147</u>	<u>4,852</u>
<b>Fund balance - June 30, 2014</b>	<u>-</u>	<u>-</u>	<u>2,619,481</u>	<u>2,619,481</u>

- Ending fund balance represents unassigned fund balance at June 30, 2014 without regard to the District's restriction for sick leave in the amount of \$138,223.

See notes to financial statements and independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>Revenues:</b>				
From local sources	9,000	32,183	166,775	134,592
Intergovernmental - state	1,964,943	1,487,413	1,992,833	505,420
Intergovernmental - direct federal	220,115	244,335	115,228	(129,107)
Intergovernmental - indirect federal	<u>4,637,223</u>	<u>4,590,946</u>	<u>4,868,854</u>	<u>277,908</u>
<b><u>Total revenues</u></b>	<u>6,831,281</u>	<u>6,354,877</u>	<u>7,143,690</u>	<u>788,813</u>
<b>Expenditures:</b>				
Instructional	4,875,409	4,886,582	4,978,572	(91,990)
Student support services	31,129	29,994	13,551	16,443
Staff support services	1,236,839	1,308,431	1,495,762	(187,331)
District administration support services	-	-	817	(817)
Business support services	13,942	13,942	5,157	8,785
Plant operations and maintenance	19,617	19,617	21,150	(1,533)
Student transportation	205,273	86,693	129,328	(42,635)
Food service operation	-	35,620	16,773	18,847
Community service activities	<u>499,871</u>	<u>25,000</u>	<u>543,212</u>	<u>(518,212)</u>
<b><u>Total expenditures</u></b>	<u>6,882,080</u>	<u>6,405,879</u>	<u>7,204,322</u>	<u>(798,443)</u>
Excess (deficit) of revenues over expenditures	<u>(50,799)</u>	<u>(51,002)</u>	<u>(60,632)</u>	<u>(9,630)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	60,000	60,000	437,709	377,709
Operating transfers out	<u>(9,201)</u>	<u>(8,998)</u>	<u>(377,077)</u>	<u>(368,079)</u>
<b><u>Total other financing sources (uses)</u></b>	<u>50,799</u>	<u>51,002</u>	<u>60,632</u>	<u>9,630</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	-	-	-
<b>Fund balance - July 1, 2013</b>	-	-	-	-
<b>Fund balance - June 30, 2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See notes to financial statements and independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTCOMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDSFor the Year Ended June 30, 2014

	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>Asset and resources:</b>				
Cash and cash equivalents	-	439,995	-	439,995
Accounts receivable	-	-	-	-
<b>Total assets and resources</b>	<u>-</u>	<u>439,995</u>	<u>-</u>	<u>439,995</u>
<b>Liabilities and fund balances:</b>				
- Liabilities -				
Accounts payable	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	-	15,000	-	15,000
<b>Fund balances</b>				
Restricted for future construction	-	424,995	-	424,995
Unassigned fund balance	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>424,995</u>	<u>-</u>	<u>424,995</u>
<b>Total liabilities and fund balances</b>	<u>-</u>	<u>439,995</u>	<u>-</u>	<u>439,995</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	SEEK Capital Outlay <u>Fund</u>	Construction <u>Fund</u>	Debt Service <u>Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Interest on investments	-	784	-	784
Intergovernmental - State	<u>356,841</u>	<u>-</u>	<u>999,016</u>	<u>1,355,857</u>
<b><u>Total revenues</u></b>	<u>356,841</u>	<u>784</u>	<u>999,016</u>	<u>1,356,641</u>
<b>Expenditures:</b>				
Plant Operation and Maintenance	356,841	-	-	356,841
Facilities Acquisition and Construction	-	2,939,619	-	2,939,619
Debt service:				
Principal	-	-	1,930,286	1,930,286
Interest	<u>-</u>	<u>-</u>	<u>649,414</u>	<u>649,414</u>
<b><u>Total expenditures</u></b>	<u>356,841</u>	<u>2,939,619</u>	<u>2,579,700</u>	<u>5,876,160</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>-</u>	<u>(2,938,835)</u>	<u>(1,580,684)</u>	<u>(4,519,519)</u>
Other financing sources (uses):				
Bond issuance costs	-	298	-	298
Operating transfers in	-	322,601	1,580,684	1,903,285
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Total other financing sources (uses)</u></b>	<u>-</u>	<u>322,899</u>	<u>1,580,684</u>	<u>1,903,583</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>(2,615,936)</u>	<u>-</u>	<u>(2,615,936)</u>
Fund balance, July 1, 2013	<u>-</u>	<u>3,040,931</u>	<u>-</u>	<u>3,040,931</u>
Fund balance, June 30, 2014	<u><u>-</u></u>	<u><u>424,995</u></u>	<u><u>-</u></u>	<u><u>424,995</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

PERRY COUNTY HIGH SCHOOL ACTIVITY FUND

For the Year Ended June 30, 2014

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2013</u>	<u>Fund Balance June 30, 2014</u>
General	42,852	35,721	7,131	1,276	8,407
Locker	2,775	2,027	748	3,200	3,948
Lost textbooks	822	357	465	938	1,403
Parking tags	595	639	(44)	215	171
Pepsi lounge	4,729	4,929	(200)	199	(1)
Pepsi lobby	3,558	7,609	(4,051)	5,002	951
Breaktime vending	1,291	1,723	(432)	501	69
Donated	-	5,010	(5,010)	5,010	-
District volleyball	2,300	2,300	-	-	-
Breaktime vend lounge	271	893	(622)	1,096	474
Parent involvement	1,067	1,067	-	-	-
Field house pop machine	76	236	(160)	160	-
Janitorial	1,830	1,830	-	-	-
Board travel	20,000	20,015	(15)	15	-
Regional boys	51,310	52,349	(1,039)	1,039	-
WYMT concessions	-	1,139	(1,139)	1,139	-
Concessions	-	60	(60)	60	-
All A Classic Tourney	14,875	14,875	-	-	-
Gate receipts	33,452	32,341	1,111	1,006	2,117
Football	75,470	72,355	3,115	9,776	12,891
Track	10,315	10,315	-	1,663	1,663
Boys basketball	54,115	50,205	3,910	-	3,910
Girls basketball	42,786	47,134	(4,348)	10,368	6,020
Wrestling	17,917	16,103	1,814	2,221	4,035
Volleyball	16,995	17,256	(261)	4,639	4,378
M/S Volley	335	335	-	-	-
Golf	130	-	130	-	130
Cross country	3,876	6,617	(2,741)	2,841	100
Baseball	17,918	17,918	-	-	-
Softball	39,079	37,737	1,342	4,586	5,928
Boys varsity cheerleaders	46,612	45,080	1,532	-	1,532
Tennis	500	1,286	(786)	880	94
Fishing team	9,282	9,282	-	-	-
Middle school football	1,146	1,146	-	-	-
Soccer	22,938	21,487	1,451	3,460	4,911
District tourney	73	73	-	-	-
Academics	1,856	1,905	(49)	565	516
Band	4,386	2,310	2,076	25	2,101
BETA	757	776	(19)	20	1
Business/FBLA	1,431	1,861	(430)	591	161
Chorus	4,277	4,894	(617)	617	-
Commodore Vault	295	300	(5)	543	538
Drama	7,708	7,962	(254)	375	121
FCCLA	297	177	120	325	445
FFA	4,253	5,121	(868)	868	-
Guidance	11,037	11,222	(185)	858	673
JROTC	8,912	7,870	1,042	3,902	4,944
Juniors	7,737	10,925	(3,188)	3,915	727
Library	525	195	330	697	1,027
National art	1,586	1,887	(301)	337	36
E letter/Journalism	-	170	(170)	170	-
Yearbook	824	760	64	8,280	8,344
Seniors	56,075	54,221	1,854	1,979	3,833
Overview tech	400	390	10	21	31
YSC	2,243	3,386	(1,143)	1,603	460
Tablets	42,258	27,092	15,166	-	15,166
State tournament	14,107	13,359	748	556	1,304
<u>Sub-totals</u>	<u>712,254</u>	<u>696,232</u>	<u>16,022</u>	<u>87,537</u>	<u>103,559</u>
Less: Interfund transfers	<u>62,992</u>	<u>62,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Totals</u>	<u>649,262</u>	<u>633,240</u>	<u>16,022</u>	<u>87,537</u>	<u>103,559</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUCKHORN SCHOOL ACTIVITY FUNDFor the Year Ended June 30, 2014

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2013</u>	<u>Fund Balance June 30, 2014</u>
General fund	14,446	21,517	(7,071)	9,945	2,874
Vending machines	1,630	5,000	(3,370)	5,150	1,780
Employee workroom	3,393	4,013	(620)	620	-
School supplies	-	82	(82)	82	-
Textbook	-	-	-	1,061	1,061
Elem academics	39	240	(201)	201	-
High school academics	1,650	1,419	231	107	338
Carnival funds	-	276	(276)	276	-
FBLA club	3,169	5,870	(2,701)	2,619	(82)
Baseball	12,221	12,122	99	(99)	-
Cross country/track	-	321	(321)	492	171
Elem 3th & 4th basketball	-	-	-	636	636
Elem boys basketball	4,974	6,400	(1,426)	3,286	1,860
Elem boys cheerleader	2,908	1,945	963	136	1,099
Elem girls basketball	3,054	2,883	171	3,231	3,402
H.S. boys basketball	26,872	26,183	689	100	789
H.S. girls basketball	15,839	15,839	-	-	-
H.S. cheerleaders	2,922	2,922	-	-	-
Volleyball	2,436	2,436	-	-	-
Soccer	443	2,362	(1,919)	1,919	-
Softball	6,337	4,248	2,089	(2,089)	-
JROTC	11,355	11,106	249	5,723	5,972
Spanish	-	2	(2)	2	-
Social studies	-	18	(18)	18	-
Library	1,987	999	988	1,398	2,386
Health	-	38	(38)	38	-
Yearbook	691	-	691	196	887
Reimbursement	7,897	2,250	5,647	17	5,664
Family resource center	2,563	7,463	(4,900)	5,301	401
FRYSC Children Inc.	2,700	1,629	1,071	3,605	4,676
Regional Baseball	5,970	5,819	151	-	151
8th Grade trip	3,538	3,190	348	-	348
11th Grade - Prom	2,810	1,215	1,595	1,285	2,880
12th Grade	-	1	(1)	1	-
Senior trip 2013-14	40,269	37,849	2,420	1,678	4,098
Guidance - records	270	-	270	419	689
Tablet fund	8,480	8,480	-	-	-
Scholarships	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	-	-	-	-	-
<u>Sub-totals</u>	<u>191,863</u>	<u>196,137</u>	<u>(4,274)</u>	<u>47,354</u>	<u>43,080</u>
Less: Interfund transfers	<u>7,283</u>	<u>7,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Totals</u>	<u>184,580</u>	<u>188,854</u>	<u>(4,274)</u>	<u>47,354</u>	<u>43,080</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCEOTHER SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2014

	<u>A.B. Combs Elementary</u>	<u>Big Creek Elementary</u>	<u>Chavies Elementary</u>	<u>Dennis C. Wooton Elementary</u>	<u>East Perry Elementary</u>
<u>REVENUES:</u>					
Activity funds	120,434	-	86,861	-	435,013
<u>EXPENDITURES:</u>					
Activity funds	<u>101,629</u>	<u>23,183</u>	<u>90,597</u>	<u>108,801</u>	<u>334,023</u>
Excess or (deficiency) of revenues over <u>expenditures</u>	18,805	(23,183)	(3,736)	(108,801)	100,990
Fund Balance, July 1, 2013	<u>23,478</u>	<u>23,183</u>	<u>42,042</u>	<u>108,801</u>	<u>-</u>
Fund Balance, June 30, 2014	<u><u>42,283</u></u>	<u><u>-</u></u>	<u><u>38,306</u></u>	<u><u>-</u></u>	<u><u>100,990</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCEOTHER SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2014

<u>Leatherwood Elementary</u>	<u>Robinson Elementary</u>	<u>R.W. Combs Elementary</u>	<u>Viper Elementary</u>	<u>Willard Elementary</u>	<u>Total (Memorandum Only)</u>
92,682	101,851	98,927	91,948	67,913	1,095,629
<u>99,717</u>	<u>101,630</u>	<u>99,814</u>	<u>96,533</u>	<u>60,241</u>	<u>1,116,168</u>
(7,035)	221	(887)	(4,585)	7,672	(20,539)
<u>16,035</u>	<u>26,822</u>	<u>49,858</u>	<u>35,520</u>	<u>10,984</u>	<u>336,723</u>
<u><u>9,000</u></u>	<u><u>27,043</u></u>	<u><u>48,971</u></u>	<u><u>30,935</u></u>	<u><u>18,656</u></u>	<u><u>316,184</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
- <i>Child Nutrition Cluster</i> -				
School Breakfast Program	10.553	7760005 13	N/A	179,748
	10.553	7760005 14	N/A	<u>726,679</u>
				<u>906,427</u>
School Lunch Program	10.555	7750002 13	N/A	354,248
	10.555	7750002 14	N/A	<u>1,370,677</u>
				<u>1,724,925</u>
Summer Food Service Program for Children	10.559	7740023.13	N/A	146,406
	10.559	7690024.13	N/A	<u>15,232</u>
				<u>161,638</u>
Passed through State Department of Agriculture:				
National School Lunch Program	10.555	097-0100	N/A	<u>141,022</u>
<u>Total Child Nutrition Cluster</u>				<u><b>2,934,012</b></u>
Passed through State Department of Education:				
Fruit and Vegetable Program	10.582	7720012 14	n/a	89,596
	10.582	7720012.13	n/a	<u>18,111</u>
				<u>107,707</u>
Child and Adult Care Food Program (CACFP)	10.558	7790021.13	n/a	43,648
	10.558	7790021.14	n/a	322,921
	10.558	7800016.13	n/a	3,464
	10.558	7800016.14	n/a	<u>25,624</u>
				<u>395,657</u>
Farm to School Grant Program	10.575	2334	n/a	<u>10,841</u>
Passed through Perry County Fiscal Court				
Schools and Roads Grant to States	10.665	505X	N/A	<u>2,214</u>
<u>Total U.S. Department of Agriculture</u>				<u><b>3,450,431</b></u>
<u>U. S. Department of Commerce</u>				
Direct - Environmental Education				
(PRIDE) Personal Responsibility for a Desirable Environment				
Leatherwood	11.420	2704L	1500	<u>1,516</u>
<u>Total U.S. Department of Commerce</u>				<u><b>1,516</b></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
- <i>Title I Cluster</i> -				
Title I	84.010	3102	2,487,292	375,615
	84.010	3103	2,368,636	612,057
	84.010	3104	2,249,466	1,792,671
Title I School Improvement	84.010	3203	55,000	28,020
	84.010	3204	50,000	38,895
<u>Total Title I Cluster</u>				<u>2,847,258</u>
- <i>Special Education Cluster</i> -				
IDEA - B Basic	84.027	3374	924,626	677,375
IDEA -B Preschool	84.173	3434	74,775	37,929
	84.173	3433	75,350	28,136
				<u>743,440</u>
Vocational Education - Basic	84.048	3484	44,127	41,221
	84.048	3483	46,677	7,070
	84.048	3483A	2,302	2,302
				<u>50,593</u>
Rural and Low Income School Program	84.358	3503	78,945	69,708
	84.358	3502	89,559	9,318
				<u>79,026</u>
Teacher Quality Grant	84.367	4012	383,504	375,615
	84.367	4013	377,654	23,910
	84.367	4014	363,513	334,918
				<u>734,443</u>
Race to the Top	84.413A	4521	100,301	<u>44,901</u>
Passed through Kentucky Community & Technical College:				
GEAR-UP	84.334A	3793G	280,000	1,710
	84.334A	3794G	300,000	294,890
	84.334A	3794A	325,300	325,339
	84.334A	3793A	382,300	65
	84.334A	3794C	110,000	95,553
	84.334A	3794P	50,000	51,944
	84.334A	3793A	382,300	155
				<u>769,656</u>
<u>Total Department of Education</u>				<u>5,269,317</u>
<u>Appalachian Regional Commission</u>				
Direct				
Appalachian Higher Education Network (KY AHED)	23.011	6882	10,000	<u>679</u>
<u>Total Appalachian Regional Commission</u>				<u>679</u>
<u>US Department of Defense</u>				
Direct				
JROTC	12.000	5042	220,115	<u>115,228</u>
<u>Total Federal Awards Expended</u>				<u>8,837,171</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2014**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – FOOD DISTRIBUTION**

Noncash assistance \$141,022, is reported in the schedule at the fair value of the food donations disbursed.

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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*

State Committee for School District Audits  
Members of Perry County Board of Education  
Hazard, Kentucky

We have audited, in accordance with the 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 State Committee for School District Audits in the Kentucky Public School Districts Audit Contract Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Perry County School District's basic financial statements, and have issued our report thereon dated November 3, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Kentucky Public School District's Audit Contract and Requirements – State Compliance Requirements.

**Purpose of this Report**

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

November 3, 2014

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

State Committee for School District Audits  
Members of Perry County Board of Education  
Hazard, Kentucky

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

We have audited Perry County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Perry County School District's major federal programs for the year ended June 30, 2014. Perry 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 Perry 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 A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School District's Audit Contract Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry 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 Perry County School District's compliance.

***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

Management of Perry County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perry County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perry County School District's internal control over compliance.

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

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

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

November 3, 2014

PERRY COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2014

- FINDING RELATED TO THE FINANCIAL STATEMENTS -

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

PERRY COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2014- SUMMARY OF AUDIT RESULTS -

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Perry County School District had the following major programs:

## U. S. Department of Education

Passed through State Department of Education:

Title I CFDA number 84.010

Teacher Quality Grants CFDA number 84.367

- Special Education Cluster -

IDEA-B Basic

CFDA number 84.027

IDEA-B Preschool

CFDA number 84.173

Passed through Kentucky Community &amp; Technical College

GEAR-UP CFDA number 84.334A

## U.S. Department of Agriculture

- Passed through State Departments of Education and Agriculture -

- Child Nutrition Cluster -

School Lunch and Breakfast Program, Summer Food Service Program  
for Children

CFDA numbers 10.553, 10.555 &amp; 10.559

Child and Adult Care Feed Program, CFDA number 10.558

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

For the Year Ended June 30, 2014

- FINDING RELATED TO THE FINANCIAL STATEMENTS -

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

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Perry County Board of Education  
and Management  
Hazard, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated November 3, 2014, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated June 30, 2014 on the financial statements of the Perry County School District.

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

Respectfully,



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

November 3, 2014

PERRY COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

For the Year Ended June 30, 2014

**Prior Year Comments**

1. Daily food service sales reports sampled and provided to District management from PCCHS and Chavies Elementary had invalid numbers in the cash over/short. Therefore, we were unable to determine if actual cash overages/shortages were occurring. We noted during the current year audit, management had taken appropriate control measures to mitigate the occurrence.
2. Food service management should assure adequate controls are maintained regarding accounting for prepaid cash receipts in its "lunchbox report" accounting system. We noted during the current year audit, management had taken appropriate control measures to mitigate occurrences.
3. An adequate control system should indicate reconciliation of attendance to cash receipts book regarding Fund 52 Child Care receipts. Management developed control procedures for this application and were determined to be adequate during testing of current year transactions.
4. An asset purchase acquired through RW Combs Elementary Activity Fund for \$3,612 was not initially included on the District's fixed asset accounting system. Management should develop controls to assure expenditures meeting fixed asset criteria and paid through activity fund accounts are recorded. We noted two items possibly qualifying for addition during our current year audit – playground equipment at Chavies, \$4,348 and a sound system for AB Combs' gymnasium, \$5,168. District management has had "Red Book" training with applicable personnel specifying costs to be directed to central office's fixed asset coordinator.
5. We noted a \$1,700 expenditure for contractual services related to cheerleading camp written from AB Combs Elementary Activity Fund. We noted no 1099-MISC prepared for this expenditure. District management has had "Red Book" training with applicable personnel specifying procedures required to capture information for finance office allowing preparation of adequate 1099-MISC.
6. Management should ensure employee authorization for payroll deductions are on file or are readily available to verify. We noted five employees who did not sign authorizations for salary reductions. We did not locate eleven employees authorization for deductions in our test sample selected. Our current year audit indicated controls were developed to mitigate this occurrence.

**Current Year Comments**

1. District personnel should determine if Fund 51 is properly allocated its share of indirect expenses related to plant and utility costs.
2. Assure any gift cards are properly documented as to recipient – no itemized listing retained for Wal-Mart gift cards purchased by Chavies Elementary totaling \$800.